Austria	Sch30	Iran	Rls210	Pakistan	Rs35
Bahrain	Din0.900	Israel	Shk4.50	Philippines	Pes40
Belgium	BFr60	Italy	L2200	Poland	Zl 15,000
Cyprus	C£1.00	Jordan	JD1.50	Portugal	Es175
Denmark	DKr15	Korea	Won 2800	Qatar	QR10.00
Egypt	E£3.50	Kuwait	Fils.500	S.Arabia	SR8.00
Finland	FM8.50	Lebanon	L£1,000	Singapore	S$4.10
France	FFr8.00	Lux	LFr60	Spain	Pta175
Germany	DM3.00	Malta	45 cents	Sweden	SKr13
Greece	Dr200	Morocco	MDH10	Switz	SFr2.70
Hungary	Ft145	Neth	Fl 3.50	Thailand	Bht50
Iceland	IKr180	Nigeria	Naira15	Tunisia	Din0.800
India	Rs20	Norway	NKr13.00	Turkey	L5800
Indonesia	Rp3100	Oman	OR1.20	UAE	Dh8.00

EUROPE'S BUSINESS NEWSPAPER

FINANCIAL TIMES

FT No. 31,543

Friday August 30 1991

D 8523A

BRAZIL
City leads fight against pollution
Page 6

World News

Federal army attacked Croatians, EC envoy says

Claims that Yugoslavia's federal army had attacked Croatian villages were confirmed by the European Community's special envoy. Dutch ambassador to France Henri Wijnaendts said his team of EC monitors had gathered conclusive evidence. Page 16

General goes into exile
Rebel Christian General Michel Aoun was taken by French naval vessel from Lebanon to Cyprus en route to exile in France hours after being granted a special pardon for his role in hostilities. Page 4

Kuwaiti raid repulsed
Kuwaiti coastguard units repulsed an Iraqi attempt to land troops on strategic Bubiyan island, arresting 46 of the infiltrators, Kuwait reported. UN investigates, Page 4

Near miss over Ohio
A head-on collision between a British Airways jet and a Midway Airlines flight was narrowly averted over Ohio last Saturday when one pilot put his airliner into a steep dive, a traffic controllers' spokesman said.

Industrialist murdered
Libero Grassi, 67, an industrialist who became a national hero for refusing to pay bribes to the Mafia, was shot dead in front of his house in Palermo, Sicily.

Markov death link
A former Soviet KGB official said a Bulgarian police general that Sofia was trying to extradite from Moscow was a main organiser of the 1978 poison umbrella murder in London of Bulgarian dissident Georgi Markov.

Businessman seized
Mauricio Macri, a director of Argentina's Socma business group led by his father Francisco Macri, was reported to have been seized by kidnappers demanding a $2.5m ransom.

Impeachment campaign
A campaign to impeach Sri Lankan president Ranasinghe Premadasa on grounds of alleged abuse of power, corruption and illegal family deals has been launched by members of the country's parliament. Page 4

Violence in Nigeria
Violent protests were reported in a number of Nigerian towns after the military government's decision to create nine new states. Page 4

Train crash kills six
A Pakistani express train ploughed into freight wagons laden with fertiliser near the central town of Multan, killing at least six people and injuring more than 90.

Pompeii skeletons
Italian archaeologists discovered six more skeletons at Pompeii, the Roman town of 25,000 inhabitants destroyed by an eruption of Mount Vesuvius in 79AD.

Elvis love letter sold
A love letter written by singer Elvis Presley to Hollywood starlet Anita Wood in 1958 sold for £4,400 ($7,400) at a sale of pop memorabilia at Christie's in London.

Business Summary

UK skills shortage highlighted in OECD study

BRITAIN must tackle skills shortages throughout the economy if it is to gain the maximum benefits from membership of the European exchange rate mechanism, according to a report by the Organisation for Economic Co-operation and Development.

In its annual report on the UK, the 24-nation body says that Britain's entry into the ERM last October provided a "powerful force" to achieve low inflation and put the economy on a sound footing for the 1990s but management skills "have been slow to adapt to a more competitive world environment". Page 16; Details, Page 8; Editorial Comment, Page 14

LLOYD'S, the international insurance market, began court proceedings in London seeking injunctions to restrain two lossmaking US Names from pursuing actions to sue Lloyd's in the US courts. Page 16

GOLD was fixed at the lowest level since April on the London bullion market. It edged ahead after the afternoon fix of $351.25 a troy ounce, closing at $351.95, a fall of $2.50 on the day. Page 26

DAIMLER-BENZ, German engineering group, warned that it expected no increase in profits this year. Reporting a 5 per cent improvement in after-tax profits to DM880m ($506m) for the first half, it forecast that net income for the full year would only "reach last year's level" of DM1.76bn. Page 17

VOLKSWAGEN, German automotive group, posted a 1.2 per cent rise in half-yearly after-tax profits to DM433m ($249m). Vehicle sales in the US fell by 30 per cent to 58,565 units in the same period. Page 17

ICI, UK chemical combine, is to build a £6m acrylics composites plant at Tamatsukuri, north of Tokyo. Page 4

BOLAR, US pharmaceuticals company, and SmithKline Beecham have settled charges over Bolar's generic version of the UK group's blood-pressure drug Dyazide after more than a year of litigation. Page 19

FUJITSU of Japan has invested $40.2m in Californian company Hal Computer Systems which aims to build computers that outperform IBM mainframes. Page 4

CHICAGO BOARD Options Exchange, world's largest options market, is to shed 110 jobs in its 950-strong workforce because of reduced trading volume. Page 20

IBM, US computer group, and Mitsubishi, Japanese vehicle and engineering group, are expected to be the first two multinationals to test new proposals by the Indian government to process foreign investment projects. Page 4

SWIRE PACIFIC, aviation, property and trading group controlled by the Swire family, announced a 1.3 per cent fall in half-year profits to HK$1.08bn (US$139m). Page 19

LADBROKE GROUP, UK leisure company, launched a rights issue to raise £464m ($785m), the fifth largest so far this year in the UK. Page 17; Lex, Page 16

Leaders of most powerful republics seek to prevent break-up

Russia and Ukraine sign pact

By John Lloyd in Moscow and Ariane Genillard in Kiev

THE TWO most powerful republics in the Soviet Union, Russia and the Ukraine, yesterday agreed to continue economic and military co-operation in order to prevent the disintegration of the country.

In the first top level inter-republic meeting since last week's attempted coup, Mr Leonid Kravchuk, the Ukrainian president, and Mr Aleksandr Rutskoi, Russia's vice-president, urged other republics to "begin the preservation of an economic treaty among themselves".

Referring to the "former Soviet Union" in their joint statements, both men dismissed the prospect of any future federal government role in the relations between the republics. Mr Kravchuk even suggested in an interview later that all 15 republics should meet without Soviet president, Mr Mikhail Gorbachev, to prevent "any centrist domination".

Much emphasis was placed during the meeting on the future of the country's military structures. Mr Kravchuk and Mr Rutskoi stressed in their joint statement the need to resolve problems concerning defence and called for the creation of a joint defence system.

A meeting of commanders of ground and naval forces based in the Ukraine met in the capital, Kiev, last night to discuss the concrete steps to be taken to bring the armed forces under the control of the Ukrainian supreme soviet.

Separately, President Nursultan Nazarbayev, president of Kazakhstan, banned all further nuclear weapons tests at the Soviet Union's main test site at Semipalatinsk, according to the Tass news agency.

The question of borders, which originally sparked the mounting antagonism between the Ukraine and Russia, was settled during the meeting of the republics' leaders.

The meeting came as the Soviet parliament voted unanimously to put the issue of independence for the three Baltic states on the agenda of next week's meeting of the full Congress of Peoples Deputies.

Elsewhere, Mr Gorbachev proposed a new security council made up of leading liberal politicians and leaders of republics wishing to sign a new union treaty.

He told the Supreme Soviet that the new council, which in its pre-coup composition contained many of those since arrested for treason, should include the leaders of Russia, the Ukraine, Belorussia, Azerbaijan, Kazakhstan, Uzbekistan, Turkmenistan, Tadzhikistan and Kirghizia – all republics which had been discussing a union treaty, although some had since declared independence.

In addition, its membership would include Mr Alexander Yakovlev, the former Gorbachev aide who resigned earlier this month, along with the mayors of Moscow and Leningrad, Mr Gavril Popov and Mr Anatoly Sobchak, Mr Vadim Bakatin, the new head of the KGB and Mr Yevgeny Primakov, the presidential foreign policy aide. The last two were the only members of the previous security council to be nominated.

However, the Supreme Soviet instructed Mr Gorbachev to discuss with the union leaders their membership of the committee, in view

Contiued on Page 16

Agreement on Soviet aid: George Bush with John Major during a press conference at the president's vacation home

THE SOVIET UNION

- Central bank chief tells of witch-hunt fears; Soviet deputies order arrest of their speaker Page 2
- Editorial comment: Metternich in the Elysée Page 14

Major and Bush agree on Anglo-US aid package

By Lionel Barber in Kennebunkport and Rachel Johnson in London

MR JOHN MAJOR, the British prime minister, yesterday reached agreement with President George Bush on a six-point plan to accelerate food and humanitarian aid to the Soviet Union.

The plan calls for expanded technical assistance to help the Soviet authorities and individual republics take steps toward a market economy, but it avoids a commitment on direct financial assistance.

The agreement means Mr Major will be able to present a joint Anglo-American position when he arrives for talks with the Soviet leadership in Moscow on Sunday. But it may disappoint some European countries such as Germany and Italy, which would like early pledges of cash assistance to encourage economic reform in the Soviet Union.

In London, finance officials from the Group of Seven industrialised nations ended a day's discussion of how to help the Soviet economy with a plea for President Mikhail Gorbachev to speed up his reform programme.

The officials – known colloquially as "sherpas" – are preparing the G7 position ahead of Mr Major's trip to Moscow. They were urged by Germany to offer hard cash, in spite of the current state of economic and political flux.

Speaking on BBC radio, Mr Horst Köhler, the German sherpa, said aid to the Soviet Union was unbalanced and G7 partners should aim to match Germany's aid provisions.

The London meeting refrained from discussing a new aid package in the light of the failed coup, but agreed that the G7 would help distribute food before the Soviet winter.

It was also felt that the newly independent Baltic states might qualify for aid earlier than the Soviet Union, UK government sources said.

Speaking at Mr Bush's vacation home in Kennebunkport, Maine, Mr Major said the US and UK were in "absolute agreement" on the need to help the Soviet Union toward democracy and a market economy, but within the framework of July's G7 agreement in London. The Anglo-American six-point plan includes:

- fulfilling existing pledges for food credits;
- assessing food aid needs this winter;
- creating "lifeline" reams, probably from the public and private sector, to visit the Soviet Union and assess food production and distribution;
- expanding technical assistance on economic reform;
- providing more advice from the International Monetary Fund and World Bank and
- "accelerating" implementation of special IMF associate membership for the Soviet Union with a view to full membership, which would allow access to credit from international financial institutions.

Continued on Page 16

EC's new TV strategy 'will cost consumers Ecu21bn'

By Andrew Hill in Brussels

EUROPEAN Commission plans for a new strategy on high-definition TV could cost European taxpayers and consumers as much as Ecu21bn ($24.4bn) over the next 10 years, independent consultants say.

Coopers & Lybrand yesterday published a report examining the likely impact of the Commission's draft HDTV directive on consumers. It provides ammunition for broadcasters to renew their assault on the stalled EC strategy next month.

The report was commissioned by Esselte, the Swedish group which owns the European Filmnet pay-TV channel, and VPRT, which represents German private broadcasters.

Mr Kip Meek of Coopers & Lybrand estimated that between Ecu12bn and Ecu21bn might have to be spent by consumers and cable and satellite TV companies to upgrade equipment over the nine years from full implementation of the directive in 1993 and by the Commission in subsidies.

The draft legislation aims to encourage use of the D2-Mac satellite broadcasting standard, which will give improved sound and picture quality to satellite and cable viewers. It is an intermediate step en route to a full HDTV norm, known as HD-Mac, which will give near cinema-quality to TV transmissions.

The Commission wants the directive combined with a legally binding memorandum of understanding signed by industry representatives to ensure that the directive is enforced. But last month, Mr Filippo Maria Pandolfi, EC telecommunications and research minister, had to postpone agreement on the memorandum because of strong opposition from satellite broadcasters.

The Coopers & Lybrand report estimates that the cost of installing D2-Mac receiving equipment in new TV sets over 52cm, as required by the directive, could add Ecu200 to the price of such sets.

But it points out that the majority of European consumers receive transmissions from terrestial stations and therefore would not benefit from the new system. Cable TV customers would have to pay higher charges and users of satellite TV may have to spend Ecu350 on new decoders to receive pictures broadcast in D2-Mac.

Plug your products, Page 8

Maruko in bankruptcy filing with Y277bn debts

By Steven Butler in Tokyo

MARUKO, the Japanese property company, yesterday filed for court protection with total debts of Y277.7bn ($2.02bn) – the second-biggest bankruptcy for a listed Japanese company. It follows a series of large property-related bankruptcies, including the Y407bn collapse of Nanatomi in January.

Trading in Maruko shares was suspended on the Tokyo over-the-counter market.

Maruko had specialised in sales of one-room apartments which were purchased for speculative investment during the property boom of the late 1980s. The market collapsed last year after a rise in interest rates and the imposition of controls on lending for property purchase.

The Ministry of Finance, meanwhile, said bank property lending had contracted by 0.2 per cent at the end of June, compared to with the end of March. Total lending by commercial banks rose 0.5 per cent during the period.

Maruko earlier this week submitted a restructuring plan through its lead bank, Mitsubishi Trust & Banking, which involved suspending loan repayments and Y3bn in new funding.

The company was forced to turn to the court for protection after its bankers rejected the plan.

Mr Shoji Kanazawa, chairman, said the company owed Y54.3bn to Mitsubishi Trust & Banking, Y16.6bn to the Long-Term Credit Bank of Japan and Y11.9bn to Sumitomo Bank.

Mr Kanazawa claimed the underlying demand for property remained strong. He added that by seeking court protection, the company would be able to could continue operations until financial conditions allowed for a revival in of the business.

He blamed the company's difficulties on volume ceilings on property lending, high interest rates, changes in the tax laws that had increased the cost of borrowing for property purchases, and the imposition of capital adequacy ratios by the Bank for International Settlements, which have forced banks to cut lending.

The application to the courts came after a Y6.6bn yen pretax loss in the first half of the year. This compares with Y3.2bn profits last year, and Y5.8bn in 1989. Sales in the first six months were Y41.6bn, compared with Y135.22bn for the whole of 1990.

Maruko attempted a financial reconstruction last November in co-operation with Mitsubishi Trust & Banking. The plan involved the sale of Y20bn worth of property and a shift of business to residential hotel leasing.

Continued deterioration of the property market cut into Maruko's business, however, and made it impossible to meet interest payments. The Real Estate Companies Association reported on Monday that sales in Japan fell by 30.7 per cent in the first half.

Weekend FT

Tomorrow: Aids, how humanity can stand up to the Doomsday virus

The travels of a professional European

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American Democrats lack both a message and a messenger

So far the only Democrat formally running against President George Bush in next year's election is ex-senator Paul Tsongas. But his party is not only short of candidates; it cannot agree on a clear strategy either

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MARKETS

STERLING
New York lunchtime:
$1.684
London:
$1.6815 (1.69)
DM2.935 (2.94)
FFr9.9625 (9.98)
SFr2.565 (2.565)
Y230.25 (231.0)
£ Index 90.7 (90.8)

GOLD
New York: Comex Dec
$355.7 (358.9)
London:
$351.95 (354.45)

N SEA OIL (Argus)
Brent Oct
$20.225 (20.05)

Chief price changes yesterday, Page 15

DOLLAR
New York lunchtime:
DM1.7435
FFr5.916
SFr1.5235
Y137.15
London:
DM1.746 (1.74)
FFr5.925 (5.905)
SFr1.5255 (1.5175)
Y137.0 (136.65)
$ index 66.4 (66.4)
Tokyo close: Y136.73

US LUNCHTIME RATES
Fed Funds: $5\frac{1}{2}$%
3-mo Treasury Bills:
5.41%
Long Bond:
$101\frac{1}{2}$
yield: 7.986%

STOCK INDICES
FT-SE 100:
2,638.2 (+14.0)
FT Ordinary:
2,066.2 (+12.3)
FT-A All-Share:
1,265.31 (+0.5%)
New York lunchtime:
DJ Ind. Av.
3,051.43 (−3.80)
S&P Comp
396.59 (−0.05)
Tokyo: Nikkei
22,002.17 (+380.54)

LONDON MONEY
3-month Interbank:
$10\frac{13}{16}$ ($10\frac{13}{16}$)
Liffe long gilt future:
Oct $94\frac{3}{16}$ ($93\frac{1}{2}$)

Central bank chief tells of witch-hunt fears

Victor Gerashchenko, newly reinstated as Gosbank chairman, talks to John Lloyd

Victor Gerashchenko, temporarily ousted as chairman of Gosbank, is at the centre of the struggle between the Union and the republics for control of the Soviet Union's finances

MR Victor Gerashchenko, reinstated as chairman of the Soviet State Bank (Gosbank) after being ousted on Monday, yesterday predicted that the struggle between the Union and republican authorities over the financial and banking system would continue.

He described as "a stupidity" the decree which dismissed him and the chairman of the Bank of Foreign Economic Relations (Vneshekonombank) and replaced them with Russian government nominees. The decree was issued by Mr Ivan Silayev, the Russian prime minister and head of the four-man team now in charge of the Union government.

Both Mr Gerashchenko and Mr Yuri Mosskovsky, the Foreign Economic Relations Bank chairman, were back at work yesterday, although neither had received written authorisation from President Gorbachev and from Mr Silayev.

Mr Gerashchenko said: "I told Silayev: I will never resign if I am pushed. But if in the new Union treaty a concept of the central banking system is worked out which is wrong, then I will resign."

He said the republican leaders, including Mr Boris Yeltsin, the Russian President, were engaged in a "struggle of personalities round which certain forces gather".

They were "behaving like rich peasants, who want to take everything for themselves," he said. "Yeltsin is now the power: that is why he must be *particularly responsible*. He must understand that the responsibilities of the Russian republic are not the same as all the rest – they are greater. Russia was always the metropolitan state, like England in the United Kingdom. And if he plays this game of trying to strengthen himself against the centre and everyone else it will lead to collapse."

Mr Gerashchenko faces a future as the Soviet Union's chief banker without any guidance as to his powers and *the relationship he will have* with the republics, of which eight have declared independence and one, Russia, is overwhelmingly dominant.

He has two feelings on the coup. On the one hand, "it is the last attempt in this country when people will do something by force". On the other "it was a kind of a warning to the republican leaders – that you must behave and decide responsibly".

He revealed that during the coup last week, he sent four cables to the central republican banks and finance ministries, demanding that they transfer to the State Bank the funds they had withheld from the centre over the past months and which had contributed to the vast budget deficit, Rs72bn on August 1.

"Pavlov (the then Prime Minister, now arrested) called me at 13 o'clock on Monday and demanded again that they be told to send in the money," he said.

However, he denied complicity in the coup, as alleged by Russian politicians and by the Russian press, saying, "it is the duty of civil servants like myself not to be involved in politics but to carry out our functions as we see best".

He admitted, however, that he might be the target of a witch-hunt, "especially when they think that I knew Pavlov a long time, we went to the same institute and played in the same basketball team".

On the morning of the coup, Mr Gerashchenko was awoken at 6am at his government dacha outside Moscow by his night secretary, who informed him of the takeover. He drove to the bank, and was told the Soviet President was sick and that Mr Gennady Yanaev, the vice president, was taking over.

"The thought of what happened to Khrushchev in 1964 (when the Soviet leader was deposed by his politburo colleagues) came to my mind. But I also thought – Gorbachev works under such a strain, he is always drinking some liquid every half hour, maybe it is some kind of medicine, perhaps he is sick."

Mr Gerashchenko was called to attend the cabinet meeting at 6pm on Monday, the only one which took place during the coup. "As soon as we sat down, I realised something was strange with Pavlov's condition. He was drunk. He leaned forward on one elbow, and looked about the table, and said: 'Well, chaps, what should we do now?'."

The next day, a statement was issued that Mr Pavlov had been taken ill with high blood pressure. "I think that Pavlov thought that something was going wrong from that first day," said Mr Gerashchenko. "He had high blood pressure, and that is made worse by drinking. I think he drank in order to become ill, to take himself out of it."

The State Bank chairman faced a series of problems during the coup. "The position of the Bank of Foreign Economic Affairs (which handles the Soviet debt) worsened at once. On August 20, Shcherbakov (the first deputy prime minister) phoned me to ask me to write to all the governors of the central banks in the countries where we had Soviet banking organisations to reassure them, *and this I did.*"

Savers were besieging the savings banks, withdrawing their money; he and his senior colleagues considered, but delayed taking, a decision to limit withdrawals to Rs500 a month.

At the same time, he was told that the currency transactions of Soviet banks were being either refused, or that "tricks" were being played. Western banks – which he would not name – were concluding agreements to buy and sell currency, but were delaying depositing the agreed sums of foreign currency in the Soviet accounts. "That was a shame," said Mr Gerashchenko.

He issued a "strong recommendation" to the commercial banks licensed to conduct foreign transactions to deposit their hard currency reserves with the State Bank "for safekeeping" – though the coup was over before it became clear whether they would comply.

Confusion reigns in banking system

By John Lloyd

THE Soviet Bank for Foreign Economic Relations (Vneshekonombank) yesterday called on the new four-man committee running the economy to explain who was in charge of the bank.

Mr Yuri Moskovsky, Vneshekonombank chairman, made his request at the first meeting of the interim committee, according to the official news agency Tass.

His appeal followed a day of confusion about whether *Soviet or Russian authorities* controlled Soviet banks and financial institutions.

The former chairmen of both the State Bank (Gosbank) and of Vneshekonombank were both back at their desks, having been asked to return three days after being removed.

Mr Nikolai Barkovsky, an assistant to Mr Yuri Moskovsky, the Vneshekonombank chairman, said that Mr Moskovsky could not comment on his duties until the situation was clarified in a day or two.

The decree by Mr Ivan Silayev, the Russian Prime minister, brought the Soviet Ministry of Finance, Gosbank and in particular all currency transactions and sale of gold and previous stones by Vneshekonombank under the control of Russian authorities.

A statement from Tass last night said that it had now been agreed by the Russian Central Bank, the Russian Trade Bank and the Russian Finance Ministry that the Vneshekonombank should continue its financial and currency operations, together with sale of precious metal and stones, "as envisaged under its rules".

However, this decision appears to show that it is the Russian authorities who are ultimately in charge.

Soviet deputies order arrest of their speaker

By Anthony Robinson in Moscow

THE Supreme Soviet yesterday ordered the arrest of its speaker, Mr Anatoly Lukyanov, and added his name to the growing list of officials accused of treason over their alleged part in the abortive coup.

Mr Lukyanov, denounced by Mr Ivan Silayev, the Russian prime minister, as the "ideologue" behind last week's failed coup, was stripped of his parliamentary immunity by an overwhelming vote of the Supreme Soviet.

Ironically, his downfall was demanded by Mr Nikolai Trubin, the Soviet prosecutor-general, who had pronounced the coup constitutional while on a visit to Havana, and who offered to resign shortly after the vote against Mr Lukyanov.

Mr Trubin said "very serious evidence" had been received implicating Mr Lukyanov in the plot to remove Mr Gorbachev.

Mr Lukyanov, a lifelong communist who began work at 13 in a munitions factory in 1943, graduated as a lawyer 10 years later and became the Soviet Union's leading constitutional expert. A close friend of Mr Gorbachev since university days, the silver-haired lawyer earned the enmity of many inexperienced and frequently demagogic deputies by his punctilious demands for respect of the constitutional rules and disdain for what he saw as the amateurism and empty populism of many in the new parliament.

Over the last few days, Mr Lukyanov has fought an increasingly desperate battle to clear his name. But the revelation that he attended a late-night Kremlin meeting with the coup leaders on the eve of the coup, his bitter attack on the Union Treaty minutes after the coup was announced and other evidence cited by the prosecutor left him isolated and vulnerable.

In the Supreme Soviet yesterday, the prosecutor accused him of providing a legal basis for the illegal decree issued by Mr Gennady Yanayev, the nominal coup leader, and of promising to assist the plotters by pressing the Supreme Soviet to legitimise the coup at the session planned for August 26.

Yesterday the independent Mezavisimaya Gazeta published an interview in which Mr Lukyanov said he first heard of the plot on Sunday night, after the coup leaders sent a helicopter to take him to the Kremlin.

"I told them straightaway that their venture was irresponsible and described it as 'the plot of the doomed'," he told the newspaper. It would lead to civil war, he added. As for his attack on the Union Treaty, he said it had been written on August 16 and he was very angry when Tass published it as the first item after the coup announcement.

DUMAS ARRIVES IN VILNIUS TO PROMOTE BALTIC STATES' FREEDOM

FRANCE seized the diplomatic initiative on the freedom of the Baltic states yesterday with the appearance in Lithuania of Mr Roland Dumas, the foreign minister, writes Robert Taylor in Vilnius.

Mr Dumas, pictured above, arrived in the wake of the Baltic states' declarations of independence. Today he travels to Latvia and Estonia, where he will reiterate France's commitment to the Baltic cause.

Mr Vytautas Landsbergis, Lithuania's president, praised France for its "consistently principled" policy over his country's independence and said he was entrusting Mr Dumas with a letter to Mr Javier Pérez de Cuéllar, United Nations secretary general, requesting Lithuanian membership.

France has agreed to return the 2.3 tonnes of gold deposited in France by the Lithuanian government in 1940 before the Soviet annexation of the country.

Mr Anders Bjork, president of the Council of Europe, said earlier he was passing on a request from Mr Landsbergis for special observer status in the Council of Europe, with the prospect of full membership soon.

Reuter adds: Mr Sten Andersson, Sweden's Foreign Minister, left yesterday for a one-day visit to Estonia to open a Swedish embassy in Tallinn. Sweden established diplomatic ties with Estonia, Latvia and Lithuania on Wednesday.

Finland did the same yesterday. It has close links with the republics, particularly with Estonia, with which it also has linguistic ties.

In Warsaw, Prime Minister Jan Krzysztof Bielecki sent letters to the three Baltic prime ministers formally recognising their independence, and in Prague, a cabinet session authorised Jiri Dienstbier, the foreign minister, to forge agreements renewing diplomatic relations with them.

Earlier, after a meeting in the east German city of Weimar, Mr Dumas told a news conference with his German and Polish counterparts Hans-Dietrich Genscher and Krzysztof Skubiszewski: "The Baltics are a special case."

Barclays helped save Gosbank chief's job

By Peter Marsh

BARCLAYS, Britain's biggest clearing bank, was one of a number of western banks which put discreet pressure on the Soviet and Russian authorities to reinstate Mr Victor Gerashchenko, chairman of the Soviet central bank (Gosbank).

Mr Paul Shale, head of Barclays' office in Moscow, earlier this week phoned top Soviet and Russian aides to express worries in the western banking community at the prospect of Mr Gerashchenko's departure. The moves by Barclays seem to have been replicated by several other European banks heavily involved in the Soviet Union, including Deutsche Bank of Germany and Midland.

Many western banks believe Mr Gerashchenko will be important in guiding the Soviet Union to a market-based economy. "A lot of western bankers were disturbed at what was happening," said Mr Ronald Freeman, deputy head of the London-based European Bank for Reconstruction and Development.

Mr Gerashchenko, 53, is a key figure in running both Gosbank and Vneshekonombank, the Soviet Union's main bank for handling foreign currency transactions and for servicing its $60bn external debt.

Mr Gerashchenko has been Gosbank's chairman since August 1989, and before, was deputy chairman of the Bank for Foreign Trade, the former name for Vneshekonombank. He once worked in London for Moscow Narodny Bank, which is 51 per cent owned by Gosbank and Vneshekonombank. One banker said that if Mr Gerashchenko had been removed permanently, some western banks might have had to re-think their future Soviet role.

ICI signs two joint ventures

By Charles Leadbeater, Industrial Editor

ICI has signed two agrochemical joint ventures *with the Ukraine, one to* market ICI products to collective farms and the other to market local agricultural products in foreign markets.

The joint ventures will build upon the company's longstanding links with agricultural producers in the republic.

Mr John Martin, head of the UK chemical combine's east European operations, said moves towards independence by republics within the Soviet Union would accelerate the opening of opportunities for western businesses.

ICI made progress on two other fronts despite the turmoil created by the coup. On August 19, the day of the coup, it received a significant hard currency payment from Vneshekonombank, the bank for foreign economic relations.

In the course of the week the company also managed to ship three train loads of the agrochemical Reglone from its Belgian plant to Ukrainian and Russian customers after it received a secure letter of credit for the shipment worth £8.4m.

The shipment had to leave ICI's Belgian plant last week or it would not have reached the relevant crops in time.

ICI has formed a joint venture with the 40 Years October Farm, near Kiev, the leading farm within an association of more than 300 within the republic.

The 40 Years October Farm will market ICI crop products to its associates and the joint venture will earn foreign currency from sales of wheat generated by higher crop yields.

Pact between the Ukraine and Russia 'marks end of old Union'

By John Lloyd in Moscow and **Ariane Genillard** in Kiev

THE agreement between Ukrainian, Soviet and Russian envoys yesterday has introduced a new principle of relations between Soviet republics – putting responsibility for these relations largely on mutual agreements between republics, and sidelining the Union.

Mr Yuri Shcherbak, the Ukrainian environment minister, said yesterday: "It is the first acknowledgement of the disintegration of the Soviet system in its old form." If a new Union emerged, it would have to be on completely new principles.

The agreement puts to one side the explosive issue of the redrawing of borders between the two republics. This emerged on Monday night, when President Boris Yeltsin of Russia said that republics leaving the union could expect to have their borders with Russia reviewed.

The two sides agreed to respect a November 1990 treaty between the two republics, barring the re-examination of borders. "It was important to reach a point of mutual understanding," said Mr Alexander Rutskoi, the Russian vice-president. "It was difficult, because each side is suspicious of the other. But today, we exercised our desire to stabilise the situation between our two republics."

Mr Leonid Kravchuk, the Ukrainian President, warned that "a Union means nothing unless it is based on the absence of dictatorship from either side. We must renounce any action which would revive imperialist ambitions. If we fail to do so, it would lead to violence."

The form of the statement and the fact that the delegation to the talks from the Soviet Union were described as "observers" rather than participants makes it clear that hopes of the preservation of a union which is more than a loose alliance are now slim.

In a "transitional period" leading up to the signing of a new Union Treaty, the two states would join with other republics in developing an economic agreement – an initiative already begun this week between Mr Gorbachev, the Soviet President, and the leaders of Russia, Kazakhstan and Kirghizia.

The two republics are to "refrain from adopting unilateral measures on security issues", reform the armed forces and create a collective security system. In what might herald the beginnings of an ambassadorial exchange, they also agreed to appoint representatives for mutual passage of information and for consultations.

Mr Kravchuk said this week he believed in a confederation of independent states, not a federal union. "If the Union is something else, it will be short-lived, as every nation longs to be the master in its own land." Besides, he said, Ukraine could not address the issue of a Union Treaty until after December 1 – when it holds a referendum on its declaration of independence. Mr Anatoly Sobchak, the mayor of Leningrad who led the Soviet delegation to Kiev said after the meeting yesterday that Mr Yeltsin's statement on the borders "meant only one thing – in connection with the recognition of independence, we have to sit down for negotiations and discuss all the issues which could emerge".

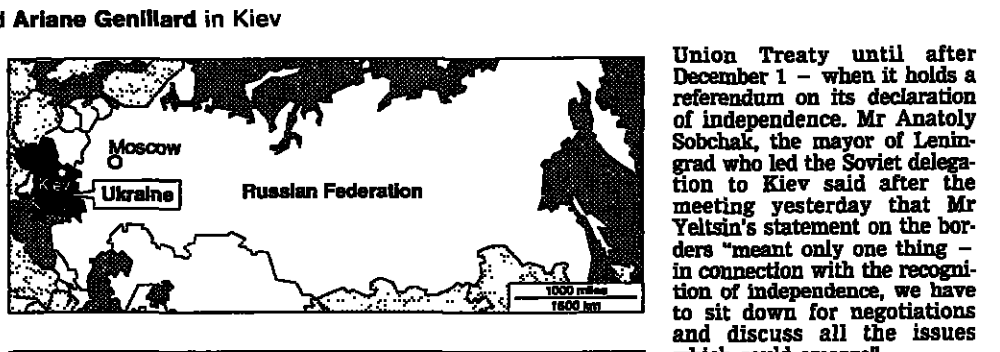
The two republics, respectively accounting for 51 per cent and 15 per cent of the Soviet population, are closely bound by ethnic and historical ties, and a mesh of economic interdependence. The Ukraine has already harmed Russia's economy by putting up customs barriers between itself and the rest of the Soviet Union, and by holding back most of its grain – it is the Soviet "breadbasket" – for its own consumption.

However, the defence and aviation plants round Kiev are dependent on all-Union defence and aerospace orders: while the huge mining area of the Donbass, employing half a million workers, is close to exhaustion in many parts and much of it should, on economic grounds, be closed.

● Romania and the Soviet republic of Moldavia agreed yesterday to exchange diplomatic and consular missions, **Reuter reports from Bucharest.**

Romania borders Moldavia, two-thirds of whose population are ethnic Romanians. Romania was the first and is so far the only country to recognise the republic's independence from the Soviet Union, declared on Tuesday.

Moldavia once belonged to the old Romanian kingdom.



UKRAINE AND RUSSIA

	USSR	Russia	Ukraine
Population	288m	145m	44.1m
% of total		50.8	15.5
Oil production (tons)	607m	552m	5m
% of total		91	1
Gas production (cu. m.)	796bn	616bn	31bn
Agricultural output % of total		50.3	17.9
Foreign trade balances (Rbs bn)	-50.4	-32.4	-7.7
Inter-republican trade balance (Rbs bn)		3.6	1.6
Growth in NMP* (%) (1985-1989)	2.7	2.5	3.0

Notes: All figures are for 1989, unless otherwise stated. *NMP, unlike GDP, excludes depreciation and the value added of services.
Source: A study of the Soviet Economy. IMF, The World Bank, OECD, EBRD. February 1991.

West cautious on trade credits

By Our Foreign Staff

ITALY has been the exception among the Soviet Union's main trading partners in responding optimistically to the uncertainty created by the events of the last 10 days, while the others have maintained a cautious approach towards extending and facilitating export credits.

The Italians have been strongly backed by SACE, the country's export credit guarantee agency. Earlier this week, the Rome government said it would increase planned bank loans for this year to L2,500bn (£1.14bn).

The loans, which are *for Italian goods*, are part of a five-year L5,000bn package for the Soviet Union, guaranteed by the Italian government, and started last year.

According to the Italian Treasury, SACE has now authorised the payment of some L1,500bn in loans originally slated for the second half of 1993 and all 1994.

Hermes, the agency responsi*ble for trade credit in* Germany, the Soviet Union's chief trading partner among OECD countries, currently guarantees about DM20bn (£6.8bn)-worth of business with the Soviet Union and is continuing to provide guarantees.

The UK is proceeding cautiously. "The position is under review and we are still providing a limited amount of short-term cover under 180 days subject to security," an official at the Export Credits Guarantee Department said yesterday.

The ECGD says, however, that it is monitoring political developments to see if the three Baltic republics achieve full independence from Moscow. With British diplomatic recognition, they will have to be treated separately for trade finance purposes.

Mr Dominique Strauss-Kahn, French Minister of Industry and Foreign Trade, said yesterday the government had to support French companies proposing projects in which the Soviet Union was interested. It was up to France to help the Soviet Union by opening new lines of credit enabling Soviet enterprises to buy French beef and capital goods, he said.

Coface, the French export credit guarantee organisation, guarantees about FFr20bn (£2bn)-worth of French exports to the Soviet Union. Among other partners, Austria will continue to extend export credit guarantees and loans Mr Helmut Haschek, chairman of the Austrian Kontrollbank, said yesterday. Austria's Soviet loans consist of non-guaranteed bank credits of Sch21bn (£1.015m) and export financing worth Sch35bn, of which Sch32bn is state guaranteed.

The US Export-Import Bank *reopened its doors in January* for Soviet export loan guarantees for the first time in 17 years, after President Bush waived the Jackson-Vanik amendment to the 1974 Trade Act preventing Eximbank finance for the Soviet Union.

The US foreign trade bank has since approved three transactions totalling $78.6m for contracts involving the sale of machine tools for piston manufacture, battery manufacturing equipment and computers for nuclear power plant safety but no loans have been disbursed yet, so Eximbank still has no exposure to the Soviet Union.

Reports by Haig Simonian in Milan, David Goodhart in Bonn, Robert Mauthner in Paris, George Graham in Washington, and David Barchard, Judy Dempsey and Anthony McDermott in London.

The Financial Times (Europe) Ltd
Published by The Financial Times (Europe) Ltd., Frankfurt Branch, (Guiolettstrasse 54, 6000 Frankfurt-am-Main 1: Telephone 069-75980; Fax 069-722677; Telex 416193 represented by E. Hugo, *Frankfurt/Main*, and, as members of the Board of Directors, R.A.F. McClean, G.T.S. Damer, A.C. Miller, D.E.P. Palmer, London. Printer: Druck Vertrieb und Marketing GmbH, Frankfurt. Responsible editor: Richard Lambert, Financial Times, Number One Southwark Bridge, London SE1 9HL. The Financial Times Ltd, 1991.

Registered office: Number One, Southwark Bridge, London SE1 9HL. Company incorporated under the laws of England and Wales. Chairman: D.E.P. Palmer. Main shareholders: The Financial Times Limited, The Financial News Limited. Publishing director: J. Rolley, *168 Rue de Rivoli, 75044 Paris Cedex* 01. Tel: (01) 4297 0621; Fax: (01) 4297 0629. Editor: Richard Lambert. Printer: SA Nord Eclair, 15/21 Rue de Caire, 59100 Roubaix Cedex 1. ISSN: ISSN 1148-2753. Commission Paritaire No 67808D.

Financial Times (Scandinavia) Vimmelskaftet 42A, DK-1161 Copenhagen-K, Denmark. Telephone (33) 13 44 41. Fax (33) 935335.

Business optimistic over east German economy

By Leslie Colitt in Berlin

GERMAN businessmen, politicians and civil servants are more optimistic than the population at large that the battered east German economy will recover in dramatic fashion by 1994.

An opinion poll yesterday showed that 64 per cent of senior west German managers, politicians and officials agreed east Germany would experience an "economic miracle" in the next three years. Some 55 per cent of their counterparts in east Germany held the same belief in the survey conducted by the respected Allensbach Polling Institute.

But among ordinary Germans only 25 per cent of easterners and 24 per cent of westerners were confident of a strong economic upswing. A comparatively large 17 per cent and 18 per cent respectively were undecided. The remainder said they did not believe in an economic miracle.

Presenting the findings, Ms Elisabeth Noelle-Neumann, head of the Allensbach Institute, said it was the first poll to include east Germans occupying senior posts.

Asked about the present investment climate in east Germany, 40 per cent of the senior west Germans called it good, while 49 per cent disagreed and 11 per cent were undecided. But Ms Noelle-Neumann said it was important that in a previous poll last January only 22 per cent said the investment climate was good.

Among the senior east Germans, 32 per cent said the climate for investments was favourable, while 55 per cent disagreed.

The poll's findings on attitudes toward the east German Treuhand are bound to raise hackles in the much-criticised privatisation agency. Only 34 per cent of the senior west Germans who had contacts with the Treuhand were favourably impressed while 41 per cent had a negative opinion and 25 per cent were undecided.

However, 64 per cent of senior easterners had a positive view and only 23 per cent did not. Most of those polled depend on Treuhand handouts for the economic survival of their companies.

German impetus for car sales

By Kevin Done, Motor Industry Correspondent

NEW car sales in western Europe jumped by 17.6 per cent in July to 1.26m, according to industry estimates, largely due to a renewed surge in demand in Germany.

In the first seven months of the year, new car sales at 8.65m were 4 per cent higher than in the same period a year ago, with the high level of demand in Germany masking the recession in several other leading European markets.

Excluding Germany, new car sales in western Europe in the first seven months were 10.4 per cent lower at 5.78m.

Germany currently accounts for one in every three new cars sold in western Europe. In July, new car sales in Germany, at 488,330, were an estimated 65 per cent higher than a year ago, when the surge in demand in eastern Germany was only just beginning.

In the first seven months this year, sales in the whole of Germany reached an estimated 2.87m, a 53.8 per cent increase from the 1.87m achieved in the same period a year ago, largely in west Germany alone. Western car makers began to have full access to the eastern German market from July last year.

Across the whole of western Europe, new car sales in both July and in the first seven months of the year were higher than a year ago in eight markets, most importantly in Germany and lower in nine, led by sharp falls in the UK, Spain and France.

The continuing imbalance of new car demand across western Europe is causing a sharp divergence in the fortunes of the big six volume-car makers.

The strongest performances are being staged by the Volkswagen group, which includes Audi and SEAT, General Motors (Opel/Vauxhall) and Ford, which are the leading players in the German market. The Volkswagen group raised its volume sales in the first seven months by an estimated 12.7 per cent, allowing it to consolidate its position as the European market leader, with a share of 16.7 per cent against 15.4 per cent a year ago.

The Fiat group of Italy and the Peugeot group of France have both lost ground, and Fiat, especially, has also come under heavy attack in its domestic market.

WEST EUROPEAN NEW CAR REGISTRATIONS*
January-July 1991

	Volume (Units)	Volume Change(%)	Share (%) Jan-Jul 91	Share (%) Jan-Jul 90
TOTAL MARKET*	8,646,000	+4.0	100.0	100.0
MANUFACTURERS:				
Volkswagen (incl. Audi & SEAT)	1,446,000	+12.7	16.7	15.4
Fiat (incl.Lancia, Alfa Romeo,Ferrari Innocenti,Maserati)	1,145,000	−8.5	13.2	15.1
General Motors (Opel/Vauxhall, US# & Saab)	1,085,000	+10.8	12.6	11.8
− Opel/Vauxhall	1,045,000	+11.5	12.1	11.2
− Saab**	31,000	−12.5	0.4	0.4
Ford (Europe, US# & Jaguar)	1,039,000	+10.0	12.0	11.3
− Ford Europe	1,029,000	+10.5	12.0	11.3
− Jaguar	7,000	−34.7	0.1	0.1
Peugeot (incl. Citroën)	993,000	−7.0	11.4	12.6
Renault††	852,000	+1.8	9.8	10.0
Mercedes-Benz	293,000	+12.4	3.4	3.1
Nissan	274,000	+18.6	3.2	2.8
BMW	247,000	+7.5	2.8	2.8
Toyota	226,000	+2.6	2.6	2.6
Rover†	201,000	−9.7	2.3	2.7
Mazda	188,000	+11.5	2.2	2.0
Volvo††	126,000	−16.4	1.4	1.8
Mitsubishi	123,000	+18.2	1.4	1.2
Honda†	105,000	+11.3	1.2	1.1
Total Japanese	1,051,000	+12.0	12.1	11.3
MARKETS:				
Germany*	2,870,000	+53.8	33.2	22.5
Italy	1,530,000	−2.8	17.7	18.9
France	1,216,000	−14.2	14.1	17.0
United Kingdom	838,000	−24.6	9.7	13.4
Spain	550,000	−15.3	6.4	7.8

*Includes eastern Germany in 1991.
#Cars imported from US and sold in western Europe.
**GM holds 50 per cent and management control of Saab Automobile.
†Honda holds a 20 per cent stake in Rover vehicle operations.
††Renault and Volvo are linked through minority cross-shareholdings.
Source : Industry estimates

● Christopher Parkes in Bonn writes: The boom in the German automotive industry is ending, officials of the motor industry association, VDA, said in Frankfurt yesterday.

Output was expected to breach the 5m-vehicle mark this year and set a new record, but the trend in incoming orders in the German market was "quite clearly downwards."

Boost for hopes of French recovery

FRANCE'S economy grew by 0.8 per cent in the second quarter of this year, more than forecast by the National Institute of Statistics (Insée), raising hopes that recovery might be near, Robert Mauthner writes from Paris.

Mr Pierre Bérégovoy, finance minister, expressed surprise at the results, compared with earlier predictions of only a 0.5 per cent rise. He stressed France's economic performance this year had been better than other industrialised countries', except Germany.

The latest figures, which bring the cumulative increase in GDP this year to 0.9 per cent, suggest official forecasts of a 1.5 per cent rise over 1991 as a whole are likely to be an underestimate. The improved second-quarter performance was due mainly to a rise in exports of goods and services.

Italian telecom monopoly to end

Mr Carlo Vizzini, Italy's minister for posts and telecommunications, has confirmed plans to end the monopoly on mobile telephone networks held by the state-owned SIP group, and let one or more private sector companies into the market, Haig Simonian writes from Milan.

The move is line with European Community policy of greater private-sector involvement in European communications markets.

Two consortia are ready to set up mobile telephone networks once SIP's monopoly is abolished. Fiat, the automotive and industrial concern, has joined forces with Fininvest and Racal Telecom of the UK, while Olivetti, the computer maker, has formed Omnitel with the Swedish telecom authority and Bell Atlantic of the US.

Fears of tough rules for Emu

The European Community is moving towards setting such tough conditions for its planned currency union that many member states will have to scramble to meet them, diplomats say, Reuter reports from Brussels.

This issue – for full membership of the EC's Economic and Monetary Union (Emu) – tops the agenda of a meeting on Monday of the EC monetary committee of senior treasury and central bank officials.

And those who say Emu will succeed only if demanding conditions are set are now pitted against others who believe making them too tough will prevent Emu from ever happening.

A lone soldier yesterday walks past a train-load of tanks stranded in Ljubljana railway station after a military manoeuvre planned to take place in Bosnia was halted as railways closed in Croatian areas because of heavy fighting.

Treuhand shakes up rail wagon maker

THE Treuhand privatisation agency has dismissed four of six board directors at eastern Germany's Deutsche Waggonbau AG (DWA), a move that could herald the breakup of the world's biggest railway car maker, Reuter reports from Berlin.

The DWA said its management board chairman had been removed and three other directors would not have their contracts extended at the end of this year. Only one east German director has survived the boardroom reshuffle.

The decision was announced by DWA's supervisory board but reflects the policies of the Treuhand privatisation agency. "They were removed because we didn't agree with the way DWA was being run," said a Treuhand official, without elaborating.

The Treuhand is selling, rescuing or closing old state companies in the formerly communist east Germany.

The dismissals slim DWA's management down to three board directors and elevate a west German, Mr Peter Witt, to chief executive. Mr Witt was previously finance director.

DWA's old management had said they were keen to keep the company intact, with around 10,000 of its current 19,000 jobs surviving a streamlining of its five factories. The Treuhand put DWA out to international tender in April but only one western buyer expressed an interest in the group.

Although DWA expects to make a profit of DM26.5m ($15m) this year, it is a high-risk investment, as it depends heavily on government backing. Much of its DM2.6bn turnover this year is covered by a DM1.2bn export credit to the Soviet Union. It has signed a DM1.5bn deal for 1992.

On Thursday it signed its first contract, for DM200m with the west German federal railway, the Bundesbahn, which is expected to absorb the inefficient, debt-ridden east German Reichsbahn by 1994.

The Treuhand said on Wednesday it would split many of east Germany's 211 industrial combines.

One of the largest plants belonging to the former east German electrical group Robotron is to close with the loss of nearly 5,000 jobs, David Goodhart reports from Bonn. The Robotron office machinery plant at Sömmerda in east Germany will close at the end of the year.

The plant had hoped to survive on the strength of an agreement with the Taiwanese group, Aquarius Systems, to produce personal computers. But management said yesterday the Treuhand privatisation agency was not prepared to continue covering the plant's big losses.

Polish government faces prospect of dismissal

POLAND'S government, struggling to contain a higher-than-planned budget deficit, suddenly faced the prospect of being dismissed by MPs yesterday, Christopher Bobinski reports from Warsaw.

The motion to dismiss the government led by Mr Jan Krzysztof Bielecki came from Ms Wieslawa Ziolkowska, leader of one of the former Communist party groups, during a debate on spending cuts in civil service pay increases, housing subsidies, family benefits and on some pensions.

Ms Ziolkowska suggested that the government, dominated by the free-market Liberal Democratic Congress, be recalled and asked to stay in a caretaker role until the October parliamentary elections.

Mr Leszek Balcerowicz, finance minister, had earlier asked parliament to approve changes in this year's budget which would see a cut in planned spending of 14.5 per cent. Government revenues are running 21.5 per cent lower than expected. The resulting deficit, Mr Balcerowicz said, would amount to 24,000bn zlotys ($2bn) or up to 3 per cent of GDP. Originally, this year's budget had envisaged a 4,306bn zloty deficit or just under 0.5 per cent of GDP.

Iata confirms dire state of world airline industry

By Paul Abrahams

THE DIRE state of the world's airline industry was confirmed yesterday when the International Air Transport Association reported air traffic in July down 4 per cent on the same month last year.

Weakness in international air traffic demand was causing financial difficulties for airlines, warned Mr Gunter Eser, Iata's director general. Many carriers were being forced to discount heavily just to achieve these poor results.

Preliminary results for the 204 members of Iata showed a fall in passenger and cargo traffic of 9 per cent during the first seven months of this year compared with 1990. Only 71 per cent of seats were filled by fare-paying passengers compared with 75 per cent over the same periods. This result was achieved in spite of a 3 per cent fall in capacity. Freight volumes fell by 4 per cent in July compared with last year.

The only region where passenger traffic increased during July was in the Far East, where it grew by 2 per cent over last year. Europe was worst affected by the recession, with falls of 7 per cent in July.

INTERNATIONAL NEWS

UN officials probe Iraqi troop landing

By Mark Nicholson

UNITED NATIONS officials yesterday visited Kuwait's Bubiyan island to investigate a landing there by Iraqi troops which Britain and the US strongly condemned as a serious violation of the Gulf war ceasefire agreement.

The British foreign office summoned the senior Iraqi diplomat in London, Mr Zuher Ibrahim, head of the Iraqi interests section in the Jordan embassy, to demand an explanation and protest at what it called "this further example of the Iraqi government's refusal to meet its international obligations".

Iraq's sole official reaction came from a foreign ministry official quoted by the Iraqi News Agency who described reports of the landing as "sheer lies".

Kuwaiti officials reported on Wednesday that coast guards had repulsed up to 90 Iraqi soldiers landing on the island from 12 vessels, capturing 46 men after a short gun battle. There were no reports of casualties.

The Iraqis' purpose is unclear, but Kuwaiti interior ministry officials speculated the soldiers wanted to scavenge weapons and munitions left on the island after the Gulf war.

Although the border is monitored by the UN Iraq-Kuwait Observer Mission (Unikom), members of which visited the island yesterday, the UN team does not have an observation post on Bubiyan itself.

Kuwait has submitted a report on the incident to the UN Security Council, which held informal talks yesterday to decide how to respond to what appears an outright breach of ceasefire resolution 687.

The Iraqi incursion will fuel Kuwaiti calls for a permanent US or British military presence in the emirate and add credence to the government's claim Iraq remains a threat.

Neither the US nor Britain wishes to station troops in Kuwait permanently, although the Pentagon said earlier this week that it would delay the withdrawal of the last of its troops in the country, due on Sunday, for "a couple of months".

US officials denied Kuwaiti newspaper reports claiming that Washington had undertaken to build a forward military facility 40km south of the emirate's border with Iraq.

Kuwait is seeking to sign 10-year protection treaties with Britain and the US to underpin its security following the failure of Egypt, Syria and its Gulf neighbours to agree on the formation of a joint Arab force in the emirate.

Campaign to impeach Premadasa launched

A CAMPAIGN to impeach Sri Lankan President Ranasinghe Premadasa on grounds of alleged abuse of power, corruption and illegal family deals has been launched by members of parliament said to include senior members of his ruling United National party (UNP), Agencies report from Colombo.

It emerged yesterday that a petition citing 24 charges was submitted on Tuesday to Mr Haniffa Mohamed, the speaker. The petition was signed by about 120 opposition and government members of parliament, and amounts to the most serious challenge to Mr Premadasa's 32-month-old rule. The UNP controls 125 of the 225 seats.

The main opposition Sri Lanka Freedom Party said more than 45 government MPs had signed the petition, adding that it had the required 50 per cent under the constitution to proceed.

In a televised speech Mr Premadasa said: "I do not think I have done any of these things," adding: "I will continue my work till the last minute. None of these things is going to excite me. I am a seasoned politician."

A spokesman said the cabinet was unanimous in supporting Mr Premadasa.

The Freedom Party had planned the petition to prevent the government from holding a snap election, the state-owned Daily News said.

Supporters of Libyan leader Muammar Gadaffi celebrate the inauguration of the "great man-made river" project designed to transport water from the south of the country to the north

Lebanese general flees Beirut for exile in France

By Lara Marlowe in Beirut

GENERAL Michel Aoun, the Lebanese Christian Maronite leader whose east Beirut government ruled for two years until last October, left the French ambassador's residence in Beirut at dawn yesterday en route for political asylum in France, ending a political wrangle between French and Lebanese officials.

The general's departure was made possible when the Lebanese parliament voted a law granting general amnesty for war crimes earlier this week. The decree stipulates that Gen Aoun and his two colleagues, Gen Issam Abu Jamra and Gen Edgar Maalouf, should live abroad for at least five years and would lose their immunity if they engage in political activity during this time. More than $30m (£18m) held by Gen Aoun in European bank accounts will be frozen pending a negotiated settlement.

He left on a French naval vessel waiting at the port in Dbaye which Gen Aoun constructed in 1989 to enable him to receive weapons shipments from Iraq.

Gen Aoun fled to the French embassy compound last October when his bunker at Baabda was bombed by Syrian aircraft. A virtual siege of the French ambassador's residence ensued. The government of Lebanese President Hrawi said it would try Gen Aoun for war crimes and embezzlement of public funds. But French President François Mitterrand said it was "a matter of honour" that Gen Aoun be granted free passage to France.

About 3,000 Lebanese were killed in two unsuccessful wars launched by Gen Aoun against Syrian troops in Lebanon in 1989 and against the Christian Phalange militia in 1990. Yet despite the suffering he brought them, a substantial proportion of Lebanese Maronites continue to support the 55-year-old general who promised to "liberate" them from Syria.

The resolution of Gen Aoun's status can only improve Franco-Lebanese relations. Paris released $45m in frozen economic aid this month.

Violent protests in Nigeria

By William Keeling

VIOLENT protests have occurred in Nigeria following the military government's decision on Tuesday to create nine new states.

The timetable for a return to democracy has also been thrown into doubt, with civilian politicians calling for the postponement of next week's party primaries to select candidates for state govenorship elections due in December.

In Hadeija in the northern state of Kano, police intervened with teargas against a crowd angry that a separate state had not been created for the region. A similar incident occurred at Gusau in Sokoto state, also in the predominantly Moslem north.

Tension is also reported to be high in the oil-producing city of Warri, south-eastern Nigeria, whose residents are aggrieved at the siting of the new Delta state capital in Asaba.

Japanese output up

JAPAN'S industrial production in July increased a preliminary 3.0 per cent from the previous month and was up 2.4 per cent from a year earlier, according to the Ministry of International Trade and Industry, Reuter reports from Tokyo.

Sihanouk optimistic on peace

CAMBODIAN peace talks ended yesterday with only the question of the post-war electoral system undecided, according to Prince Norodom Sihanouk, chairman of the meeting between the Phnom Penh government of Mr Hun Sen and the three-faction guerrilla alliance, Reuter reports from Pattaya, Thailand.

The former monarch added: "Otherwise we have reached the stage of a comprehensive settlement."

The radical Khmer Rouge guerrillas put aside their demand that government police be included in the demobilisation and disarming accord reached on Tuesday, he said. The government had dropped its insistence on guarantees against "genocide" being included in the draft accord - a reminder of the Khmer Rouge's brutal 1975-79 rule.

The two sides agreed the United Nations should supervise elections but Mr Hun Sen wanted a "first past the post" system while the Khmer People's National Liberation Front, a US-backed guerrilla group, wanted proportional representation.

The supreme national council bringing together the government and guerrillas will meet again in Pattaya in October, Prince Sihanouk said.

Boom times catch up with Japanese bank

Industrial Bank of Japan penitent over Y100bn loans to Osaka restaurant owner. Stefan Wagstyl reports

MR Yoh Kurosawa, president of Industrial Bank of Japan and a doyen of international banking, has always been glad to expound his bank's role in global finance. Now he was due to give testimony of a different kind and explain to parliament how Japan's most august financial institution came to lend more than Y100bn (£437m) to a 61-year-old former waitress and restaurateuse.

The affair is one of the most surprising to surface from the scandals which have engulfed the financial community. IBJ seemed scandal-proof. With a tradition of ties to government and blue-chip groups, the bank portrayed itself as a national institution, dedicated as much to public service as to profit.

But the case has revealed that in the headlong expansion of Japan's markets in the 1980s and the intense competition prompted by deregulation, IBJ was as greedy for profit as the next bank. The bank realised that the glories of its post-war past could not alone guarantee its future.

Full details of the affair are probably known only to Ms Onoue, now under arrest in Osaka for allegedly using forged documents to procure loans. She is on the verge of bankruptcy with debts of Y410bn accumulated largely in funding securities investments.

Ms Onoue when a waitress became popular with wealthy customers, one of whom helped her start two restaurants in Osaka's nightlife district. She invested in stocks and attracted hordes of Osaka brokers, sometimes inviting them to join mystical rituals to divine investment advice. Her contacts with IBJ began in 1987, when she bought the bank's debentures.

As Ms Onoue's investments mushroomed so did her borrowings – hitting Y500bn, including an estimated peak of Y187bn from IBJ and its affiliates. Following last year's plunge in shares, IBJ and other big banks cut their loans. Ms Onoue grew desperate and turned to smaller financial institutions. According to police case, she persuaded Mr Tomomi Maekawa, an official at Toyo Shinkin Bank, a small local bank, to forge deposit certificates worth Y342bn for use as collateral to other lenders. Mr Maekawa is also now under arrest.

IBJ was not quick to sever its links with Ms Onoue. According to Japanese newspapers, the bank's Osaka branch assured a would-be lender about her standing and helped her buy the building which houses her main restaurant. IBJ unwittingly accepted some of the forged deposit certificates as collateral.

As one Japanese banker said: "If Toyo Shinkin lends money on IBJ collateral that's understandable. But why did this world-famous bank lend money on the strength of Toyo Shinkin collateral? It's amazing."

Mr Kurosawa has admitted that IBJ's headquarters knew of the loans to Ms Onoue. According to Japanese reporters, he once dined with his wife at Ms Onoue's restaurant.

IBJ followed other banks into the middle market

IBJ has cut its loans to a manageable Y20bn, according to the ministry of finance. But the total cost of the affair will be greater – not least because it has been forced by the ministry to join a rescue of Toyo Shinkin.

No explanation has yet emerged why IBJ lent so much to an individual. Perhaps it was because Ms Onoue was a keen buyer of bank shares and was once the biggest individual holder of stock in IBJ. Also, it may be that, given the size of her portfolio, Ms Onoue was a proxy for other more powerful investors.

The affair raises grave questions about IBJ's policies in the late 1980s

For most of the post-war era, IBJ was content to deal mainly with large industrial companies. But in the last decade these groups have taken to raising funds on the securities markets. IBJ responded by developing a large international securities operation in London. It also lobbied hard for the easing of restrictions on the entry of banks into Tokyo's securities markets.

But it could not afford to see its basic banking business fade. So, despite its up-market image, it followed other banks into the middle market. This inevitably sucked IBJ into increasing lending to the fastest-growing markets – stock and property investment.

It also meant seeking business far from its home base in central Tokyo, including in Osaka, Japan's second-largest city. It was not alone – Fuji Bank, a leading Tokyo-based bank, also expanded in Osaka and also ended up with some very doubtful Osaka loans. These moves were to some extent defensive – counter-attacks to the rapid advances which Sumitomo Bank, Osaka's top bank, had made in Tokyo. "In a sense, Fuji and Sumitomo fought a war and IBJ didn't want to be left behind," says a Japanese banker.

The banks have now declared a truce in the face of the combined impact of the scandals, the end of the stock and property booms, and curbs on lending caused by the need to comply with international capital adequacy standards.

So far, IBJ has come out of the battle with fewer publicly declared problem loans than some of its rivals. Also, unlike Fuji and Sumitomo it has manage to avoid allegations of direct involvement of its own staff in illegal schemes. It last week lost its prized AAA credit rating from Moody's, the US agency, but was the last Japanese commercial bank to be downgraded.

But it will be a long time before it recovers its reputation. Mr Kurosawa yesterday visited Mr Ryutaro Hashimoto, the finance minister, to apologise. He can expect to say sorry a lot more before this affair is over.

WORLD TRADE NEWS

IBM and Mitsubishi to test Indian proposals for foreign investment

By David Housego in New Delhi

IBM of the US and Mitsubishi of Japan are expected to be the first two multinationals to test the new machinery set up by the Indian government to process foreign investment proposals.

IBM, the US computer group, which quit India in the 1970s after refusing to dilute the equity of its wholly-owned Indian subsidiary, is to set up a joint venture with Tatas, the Indian conglomerate.

The new company, in which IBM and Tatas will each hold 50 per cent of the equity, will manufacture microcomputer systems, PCs and export software.

The IBM proposal, along with with another joint venture proposal by Mitsubishi, the Japanese vehicle and engineering group, will be the first projects to be taken up by a new high-level foreign investment committee set up to accelerate clearance of major investment proposals by large multi-nationals.

The government's aim is to attract several prestigious investments by multinationals as a way of enhancing the credibility of new economic reforms aimed at opening up the economy.

IBM and Tatas will initially invest Rs 850m (£25m) to establish manufacturing facilities – probably on a site close to Delhi. IBM intends to export about Rs 1.5bn of software development from India over five years through a satellite link-up.

Several other US electronics groups – including Texas Instruments, Hewlett Packard, and Digital Equipment (DEC) – are already taking advantage of India's low cost software engineering skills to export software development. Tatas, which will hold its equity stake in the new venture through its Tata Industries subsidiary, already has a tie-up over software with Unisys.

In the initial stages of the project, about 40 per cent of the components will be imported. But IBM also hopes to build India into its world-wide components sourcing network once quality has been assured.

Even though IBM closed its Indian subsidiary, it has maintained sales of mainframe computers and software to the country. IBMs return now is seen as a strategic decision to gain a further foothold in what is seen as a potentially large market in the long term. It also seems to reflect the pressure of expatriate Indians in the US corporation who believed the group should strengthen its links with the country.

ICI to build £6m plastics plant in Japan

By Charles Leadbeater, Industrial Editor

ICI, the British chemical combine, yesterday moved to strengthen its presence in the Japanese market by announcing plans to build a £6m acrylics composites plant at Tamatsukuri, north of Tokyo.

The investment reflects the priority ICI is attaching to expanding its businesses in fast-growing Far Eastern markets such as Japan.

The acrylics plant, which will have a capacity of 10,000 tonnes a year, will occupy a 18-hectare site.

The acrylics facility will serve the fast-growing market for bathroom and kitchen equipment, which has been fuelled by increasing spending on housing and apartment building.

Colombia speeds up tariff cuts and trade liberalisation laws

By Sarita Kendall in Bogota

COLOMBIA'S decision to speed up trade liberalisation and cut tariffs is designed to stimulate imports and check the inflationary effect of growing foreign reserves.

In dropping its gradualist approach towards opening up the economy, the government has drawn criticism from industrialists but most business groups approve the change in timetable.

Import tariffs on raw materials and intermediate and capital goods not produced in Colombia are being scrapped altogether. Cigarettes, spirits and other items often smuggled into the country, will not carry any duty either. However, all imports are subject to a special 8 per cent tax (reduced from 10 per cent) which helps finance state institutions, including the export promotion fund.

The tariff level for consumer goods will be 15 per cent, while other goods produced in Colombia (apart from vehicles) will be levied at 5 per cent and 10 per cent. Overall, the average tariff, including the 8 per cent tax, falls from 14.7 per cent to 14.8 per cent.

The new tariff levels were to have been introduced in 1994 but an unstoppable inflow of dollars, combined with a large trade surplus, had taken reserves to $5.4bn, undermining the government's anti-inflation measures. Imports, which fell by 11 per cent in the first half of the year, are now expected to rise by 23 per cent in 1992 and, it is hoped, the foreign competition will help dampen domestic price increases.

Non-traditional exports have been growing faster than expected despite lower devaluation this year. Now the government is to increase the devaluation rate, using this as the main tool to ensure competitive exports and thus avoiding controversial subsidies.

Tax changes are planned to offset the drop in fiscal income derived from imports.

Colombia's active role in regional trade negotiations with the Group of 3 (Mexico and Venezuela are the other members) and the Andean Pact have undoubtedly influenced the decision to lower tariffs sooner than expected.

Fujitsu in $40.2m US start-up venture

By Louise Kehoe in San Francisco

FUJITSU of Japan, in a bid to challenge International Business Machines for leadership in the world computer market, has invested $40.2m (£23.9m) in a promising California start-up company that aims to build computers that outperform IBM mainframes.

Hal Computer Systems, of Campbell, California, was founded last year by a former high-ranking IBM engineer. The company is developing computers based upon Sun Microsystems' SPARC microprocessors.

Fujitsu is one of half a dozen chip makers licensed by Sun to build SPARC chips. Fujitsu's investment in Hal represents the Japanese company's latest move to broaden its access to western computer markets through acquisitions. Fujitsu has acquired a majority stake in Britain's ICL and Nokia Data of Finland as well as expanding its stakes in several smaller companies in the US.

It also holds a 44 per cent share in Amdahl, the leading manufacturer of IBM-compatible mainframe computers.

With its investment, Fujitsu acquired a 44 per cent stake in Hal, with the rest of the stock owned by Hal employees. Hal will gain access to a broad range of Fujitsu resources, including advanced semiconductor processing, extensive patent portfolio, systems engineering and its distribution channels, the companies said. Fujitsu will win rights to the advanced systems technology that Hal aims to develop.

Hal is developing high-performance computers for use in transaction processing applications such as airline reservation systems and banking.

Rising European demand fills Suez oil pipeline

Sumed has overtaken the canal, and switched its strategy to marketing, reports Max Rodenbeck

SUMED, Egypt's Suez-Mediterranean pipeline, has after 14 years replaced the Suez Canal as the main crude oil transit link from the Gulf to the Mediterranean Anticipating a rise in European demand, the facility's owner, the Arab Petroleum Pipelines (Sumed), believes the time has come to expand and shift its focus to marketing.

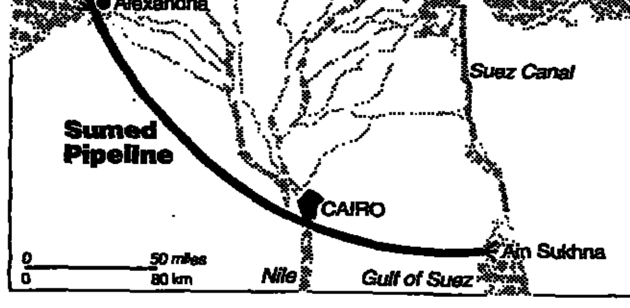
In the next few years a $120m (£71m) investment programme will raise throughput capacity by 50 per cent to 120m tonnes a year (2.4m barrels/day). Contracts for building new loading and unloading buoys, gas turbine booster pumps and other equipment should be awarded by the end of September.

Sumed's current capacity of 80m tonnes a year is roughly double the quantity of oil passing through the Suez Canal.

Longer-term plans to raise the storage capacity to 4.2m tonnes (29.5m barrels) are intended to promote the Mediterranean terminus at Sidi Kreir near Alexandria, as the main crude source for southern Europe.

Sumed's growth strategy is based on past success. Some 60 per cent of Europe's oil imports from the Gulf now passes through the 350-km pipeline, which normally works at around 90 per cent of capacity, company officials say. In the past year, because of the increase in competing tanker fees due to the Gulf crisis, throughput was over 100 per cent of theoretical capacity.

War in the Gulf has brought other rewards. Arab Petroleum Pipelines is half owned by the Egyptian government through its Egyptian General Petroleum Company. The remaining



shares are held by state oil interests in Saudi Arabia, Kuwait, Abu Dhabi and Qatar. Regional instability has underlined the advantages to these Gulf producers of storing more oil closer to their markets.

Noting that the Gulf trend in the 1980s towards greater national control of oil production had already raised awareness of competitive factors downstream, Mr Ibrahim Hamza, Sumed's chairman, says the pipeline has changed its strategy from transport to marketing. "Sumed is now a marketing tool for the producing countries," he says. "Iranian, Saudi and other crudes are now declared fob (free on board) at Sidi Kreir."

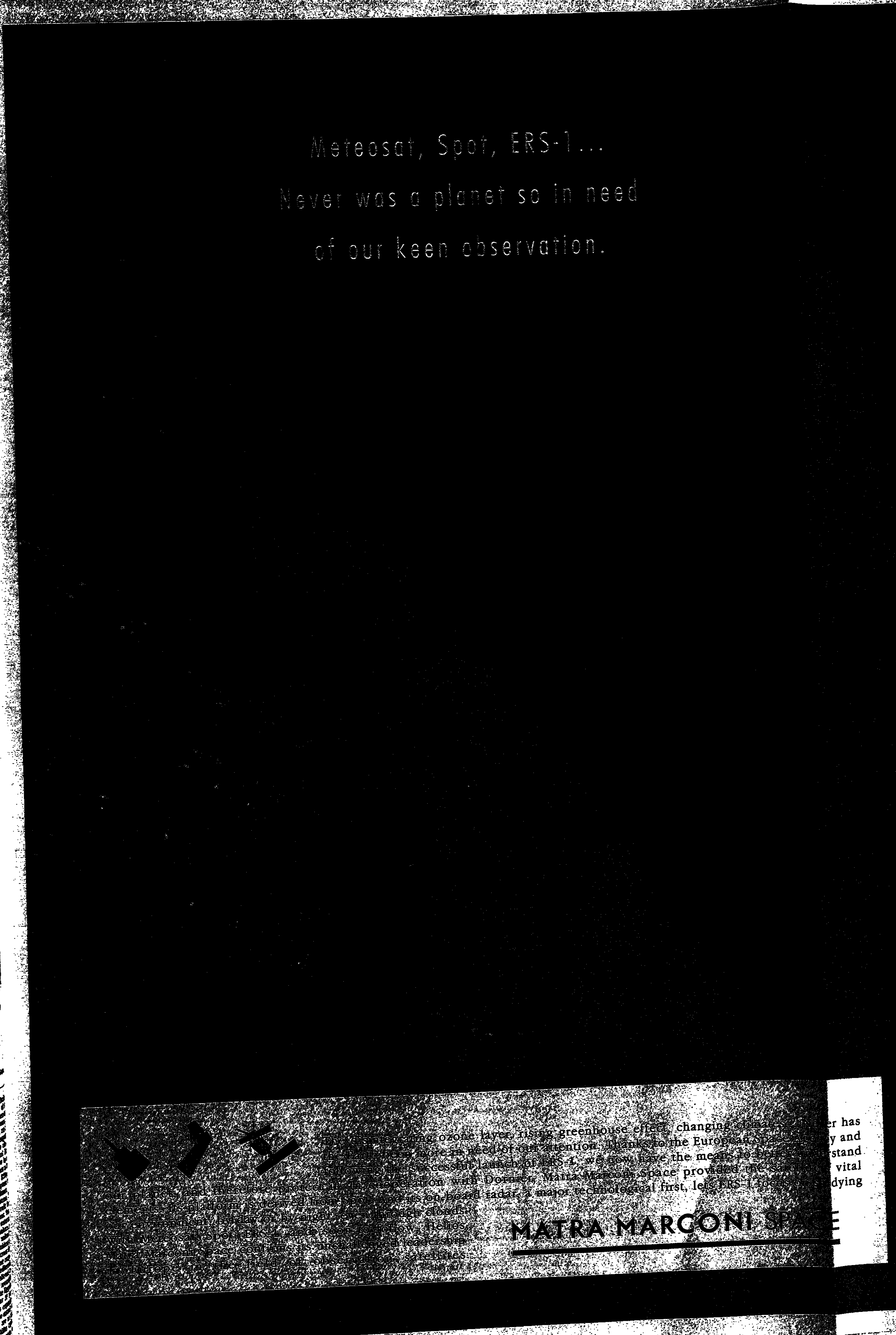
Mr Gamal Ashmawi, Sumed's marketing director, says that with its increased capacity the pipeline will be poised to put them in a commanding position in the Mediterranean market, which accounts for 40 per cent of Europe's oil consumption.

Company officials point out other advantages. With 30 100,000-tonne storage tanks in operation and 12 more planned, Sumed has the flexibility to supply any mix of Arabian crude that customers require.

This is one reason Sumed feels confident it can compete with other oil transport routes. But officials also cite predictions that annual European demand will grow by a maximum of 40m tonnes in the next decade. "With a $120m investment we can capture most of that," says Mr Hamza.

In the meantime, Sumed makes a tidy profit from the canal's limitations. Too big to go through the waterway fully laden, some tankers of over 150,000 tonnes unload at the pipeline's Ain Sukhna terminal south of Suez, cross the canal and retrieve their cargo at Sidi Kreir on the Mediterranean.

Sumed is believed to earn gross profits of around $200m a year. Of this, the Egyptian government claims 28 per cent. The company's expansion programme will be entirely self-financed. There are no plans to increase its $400m capital. In addition, the Egyptian parliament is expected soon to pass a bill which will extend Sumed's operating mandate to 2028.



Meteosat, Spot, ERS-1...
Never was a planet so in need
of our keen observation.
The disintegrating ozone layer, rising greenhouse effect, changing climates
more in need of our attention. Thanks to the European Space
following the successful launch of ERS-1, we now have the means to better
in cooperation with Dornier, Matra Marconi Space provided the
our planet, and therefore protect it.
And its on-board radar, a major technological first, lets ERS-1 focus on studying
elements. Its platform is derived from Spot.
our environment by day or by night, even through clouds.
With Meteosat, Spot, ERS-1 and soon to follow Helios,
Matra Marconi Space confirms its unchallenged leadership
in Europe in the field of observation satellites.
MATRA MARCONI SPACE

AMERICAN NEWS

Collor squeezes credit in attempt to curb inflation

By Christina Lamb in Rio de Janeiro

THE Brazilian government is resorting to a drastic credit squeeze as its latest weapon against inflation, amid mounting fears that the government will introduce another economic shock plan.

The central bank has raised interest rates on 30-day certificates of deposit to the equivalent of 820 per cent a year in a move aimed at stemming consumption and preventing inflation continuing its upward spiral beyond this month's predicted 15 per cent.

However, hopes of containing inflation through tight monetary policy were undermined on Wednesday night by a defeat in Congress of the government's seventh wage policy in 14 months. As a result of the vote the minimum wage has been doubled and salaries of up to $750 (£446) a month will be once more indexed to monthly inflation, a move the government's economic team believes could jeopardise all its efforts to control inflation.

The reintroduction of high interest rates is being interpreted as a signal that inflation is already out of hand. The high rates are likely to take a heavy toll on industry, which is only just recovering from last year's 6.8 per cent contraction in gross domestic product. Last year's tight control on monetary supply put many companies out of business but was undermined by the free spending of Brazil's 27 states and this year control has been relaxed until now.

Mr Pedro Bodin, director of monetary policy at the central bank, insisted high rates would continue as a temporary inflationary control until the government managed to push through fiscal reform, cutting expenses and increasing revenue to avoid a projected 2 per cent Treasury deficit this year.

To achieve its fiscal reforms President Fernando Collor has proposed an overhaul of the constitution, which enshrines job guarantees for state employees. He is currently negotiating with state governors on the issue, offering to roll over their state debts in return for support. But even government members admit that the crucial amendments have no chance of passing through congress, where the president has little support.

Fears are now mounting of a new austerity package and price freeze as the only way to curtail inflation. Last week for the first time Mr Marcilio Marques Moreira, economy minister, said there might have to be a shock plan if inflation reached 20 per cent a month. It would be the third such plan since President Collor took office in March last year.

Fall in US personal incomes

By George Graham in Washington

US PERSONAL incomes fell 0.1 per cent last month, the first decline for five months, but consumer spending continued to increase, rising by 0.4 per cent.

This led to a compression of personal savings as a proportion of disposable income to 3.7 per cent from 4.1 per cent in June.

The figures, announced yesterday by the Commerce Department, dampened some economists' fears that consumer spending might not be able to continue to sustain economic activity this quarter. Economists had predicted a sharper reduction in the savings rate, which they had expected to lead to a pinch on consumer spending.

Substantial revisions to previously published statistics, now make this pinch seem less likely, some economists said yesterday. However, the July decline in personal incomes also raises doubts about whether consumer spending will be strong enough to sustain an economic recovery through the second half.

New house sales dropped by 8.5 per cent in July to a seasonally adjusted annual rate of 472,000 homes. Without seasonal adjustments, house sales in the first seven months of the year totalled 305,000, 13 per cent below the same period of 1990.

Mr Charles Keating arrives in court in Los Angeles, where he faces fraud charges in connection with the collapse of the Lincoln Savings and Loan, which he headed. Lincoln failed in April 1989, costing taxpayers a record $2.6bn (£1.54bn) for the bailout, AP reports from Los Angeles.

In the trial, which began on Wednesday, Mr Keating is charged with 20 counts of deceiving Lincoln investors about the safety of junk bonds issued by another of his companies, American Continental, to finance Lincoln's investments. The maximum sentence is 10 years in prison.

The defence has countered that Mr Keating obeyed all laws regarding the bond sales. His lavish lifestyle, high-level political access and Lincoln's problems have come to symbolise the savings and loan debacle for many Americans.

Brazil city in vanguard of fight against pollution

WHILE their contemporaries around the world are learning times tables, the children of the southern Brazilian city of Curitiba are more concerned with ecological sums. One of these – "50kg of paper equals one tree" – is painted on road signs throughout the city, mystifying passing motorists.

Curitiba's children form the vanguard of a remarkable movement which has transformed the city into a showcase of urban planning and a rare ecological success story in a country more often regarded as an environmental pariah.

As worldwide attention focuses on the disappearing Amazonian rainforest and its threatened Indian tribes, Mr Jaime Lerner, the ruddy-faced mayor of Curitiba, is quietly saving 1,200 trees a day through the city's recycling scheme.

Delegations from Europe, Japan and the US travel to Curitiba to see Mr Lerner's innovations in collective transport and environmental protection. His achievements over the last two decades, despite a tripling of the city's population, prove that an increase in urban growth need not spell disaster.

Mr Lerner's aim is to create a "rechargeable city". He explains: "A society which doesn't recycle doesn't preserve itself."

In Curitiba worn-out buses become creches and skill centres, the old gunpowder depot is now a theatre, a military emplacement is a cultural centre, and dust from construction sites is used in road building.

Mr Lerner's mission began in 1962 when as a student he led a successful campaign to stop the bulldozing of Curitiba's historic centre. Elected mayor in 1971 he founded a town planning institute and set about transforming the city.

Initially his schemes, such as pedestrianising the shopping area, aroused great opposition. Now in his third term in office, Mr Lerner's ideas are so popular that a recent poll found a remarkable 99 per cent of the city's inhabitants would not want to live anywhere else.

His two main preoccupations are public transport and conservation: "Some 80 or 90 per cent of global environment problems originate in local problems – how people live and how they travel."

The crux of his success is the development of a public transport system so effective that in 20 years it has gone from serving 25,000 passengers a day to 1.3m. "As the city expanded we had two choices to reduce congestion – build ugly and polluting flyovers or improve buses so people would leave cars at home."

The mayor of Curitiba is quietly saving 1,200 trees a day in a recycling scheme, writes **Christina Lamb**

Now more than three quarters of the city's population catch special fast buses to the centre, which travel in separate lanes for increased speed. Capacity has been augmented by using articulated buses and introducing metro-type platforms so passengers buy tickets from machines on platforms and board at the same level, almost halving journey times. As with a metro, only one ticket is required even if a journey involves changes.

The emphasis on public transport has not only spared Curitiba from flyovers but the fuel saving and reduced pollution has brought international awards. The World Bank uses Curitiba as an example of a city which has carried out a successful transport revolution.

Other environmental protection measures include a limit on the heights of buildings, and the construction of an industrial park outside the city in which no polluting industry is allowed.

Believing children to be his best allies in his fight to save the environment, Mr Lerner made sure ecology was introduced on the school curriculum with as much weighting as Portuguese and maths. With their help two years ago he introduced a programme to make people separate their rubbish into different coloured sacks for recyclable and non-recyclable materials.

In slum areas where access for rubbish trucks was almost impossible collection points were set up where people could swap rubbish for bus tickets.

"Everyone thought I was mad," admits Mr Lerner. But now alone among Brazilian cities Curitiba's streets are litter-free and almost all its recyclable rubbish is separated. Children act as patrollers to ensure rubbish is thrown in the correct coloured bin.

Mr Lerner won a UN Environment Prize for his efforts: "We're saving 1,200 trees a day – that's six woods," he claims. His enthusiasm rising, he whips out a calculator and exclaims: "Imagine if the whole of Brazil did this with an urban population 60 times greater than Curitiba – that's 360 woods a day!"

He has asked President Fernando Collor if he could take a town-planning team round the country advising other cities on "how to dominate urban growth".

He becomes furious at suggestions that Curitiba, with its relatively cool climate and high percentage of European immigrants, is a special case. "That drives me mad. People talk as if we're in Switzerland. We're not. We have the same poverty index as any Brazilian city. But we're getting better while the rest of Brazil gets worse."

Mr Lerner is eager to show off his urban showcase at next year's World Environment Conference, which Brazil is hosting: "Brazil is the target of criticism over the Amazon, so we should show we have local successes too. After all if a city of almost 2m people in the third world can do this, any city can."

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Tories to conduct survey on election timing

THE Conservative Party has commissioned an intensive round of opinion polling before ruling out definitively the already slight possibility of a November general election writes Philip Stephens.

The polling, involving detailed surveys in Conservative-held marginal constituencies in the north and midlands of England, as well as nationwide sampling of the political mood, is scheduled for the next two weeks.

It will coincide with a formal re-opening of political hostilities between the Conservatives and Labour after a brief suspension in the wake of the Soviet crisis.

Yesterday Mr John MacGregor, leader of the House of Commons, sought to preempt a Labour attack on the government's economic policy by challenging the commitment of the opposition leader, Mr Neil Kinnock, to hold down inflation.

Mr Kinnock and Mr John Smith, the opposition's chief economic spokesman, will call today for an emergency package of measures to pull the economy from recession. Mr MacGregor however derided the lack of clear Labour anti-inflation strategy. Unless Mr Kinnock dropped his plans for "massive" increases in spending and taxation, "everything else will totally lack credibility", he said.

The Conservative opinion polling will give Mr Chris Patten, the party chairman, an exhaustive analysis of the strengths and weaknesses of the government's policies and presentation. It will also provide a guide to the issues that the Conservatives need to focus on during its October party conference.

Mr Patten remains convinced that the government should defer the election until next year in the expectation that economic recovery will greatly strengthen its support.

That view is shared by the majority of the Cabinet, with one senior minister commenting yesterday that he regarded the chances of a November poll as "less than 5 per cent".

Mr John Major, the prime minister, however, has appeared reluctant to rule out entirely the possibility in case there is an unexpected surge in support for the government in the approach to the party conferences. Some Tory MPs have been arguing that the prime minister's response to the Soviet crisis and his high profile on the international stage should give a boost to the Tories' standing with the voters.

There have also been signs that Tory support in marginal constituencies has been stronger than suggested by the national polls.

The prime minister, however, will be warned by cabinet colleagues that even if his role on the international stage produces a "halo" effect for the Tories, that could be quickly eroded in an election campaign fought on the economy, the health service and education.

Mr Patten believes that although the economic recovery will materialise during the second half of this year, the immediate prospect may be for a further wave of bankruptcies and further sharp increases in unemployment.

He signalled yesterday that the Tory strategy over the next few months will seek to capitalise on Mr Major's personal lead over Mr Kinnock in the opinion polls.

He indicated that the government's presentation of its economic policy would aim to strike a balance in the presentation of its economic policy between sympathy for those hit by the recession with a strong defence of the policy of defeating inflation.

Diabetics to seek claim on drugs' side-effects

By Robert Rice

SOLICITORS acting for more than 400 diabetics who allege they have suffered serious side-effects resulting from a change from animal to synthetic "human" insulin confirmed their intention yesterday to press ahead with a personal injury claim against two manufacturers of the drug, Eli Lilly and Novo Nordisk.

The action could eventually involve as many as 20,000 of Britain's 250,000 diabetics.

Insulin is needed to control sugar levels in the blood which is normally produced by the pancreas.

The diabetics allege that since swapping over to synthetic human insulin the early warning signs of hypoglycaemic attack caused by dangerously low blood sugar levels have been suppressed.

Novo Nordisk and Eli Lilly, the main producers of synthetic insulin, both deny any connection between synthetic insulin and the alleged side effects.

Directors are kept up to the mark

Michael Cassell on how business leaders can face disqualification

THE summonses issued this week against Sir Edward Du Cann and six other former directors of Homes Assured, the collapsed financial services company, form part of the government's continuing effort to ensure those who run British businesses are fit to do their job.

Since the Company Directors Disqualification Act of 1986 - passed in tandem with new laws overhauling insolvency laws basically unchanged since 1914 - more than 1,000 incompetent, dishonest or negligent people have been disqualified from occupying boardroom jobs.

At the end of June, a further 699 directors were awaiting court appearances.

A list of delinquent directors is held at Companies House and the annual rate of disqualifications has risen each year since the new legislation came into effect.

Directors can be disqualified for up to 15 years, although they are able to continue to trade without the benefit of limited liability.

There is a right of appeal but it was not until last autumn that a disqualification order was challenged. It resulted in a two-year reduction in the originally imposed ban.

The DTI sees court action not only as a way of protecting the public by removing unsuitable company directors but as an important deterrent to potential miscreants.

A typical case brought by the DTI might involve an insolvent company continuing to trade with no reasonable prospect of payment of creditors' claims, excessive remuneration and benefits for directors, breaches of the Companies Act, failure to keep proper accounts or transactions which favoured directors or close associates.

Last month, Mr John Redwood, the Minister for Corporate Affairs, said the courts and the public expected standards of conduct which demonstrated directors' willingness not only to adhere to their statutory obligations but also to act competently in the best interests of the company, its creditors and shareholders.

He warned that increased efficiency and improved case procedures for handling bankruptcy and company liquidations meant that official receivers could now spend more time investigating the affairs of failed companies and their directors.

There would, he insisted, be no let up.

The Act was introduced in an effort to kill off so-called "phoenix" companies, involving directors who sought receivership only to buy back their company's assets and restart, free of liability.

Grounds for action under the Act can be numerous. The majority of cases arise when a company has become insolvent.

They can also follow a major investigation by a DTI inspector into a company's affairs, though court proceedings in such circumstances do not necessarily follow.

ALTHOUGH a DTI report into the purchase of House of Fraser, for example, roundly denounced the behaviour of the Fayed brothers, who bought the stores group, the department did not seek their disqualification as directors.

The decision has been repeatedly challenged by Lonrho, the thwarted purchaser of House of Fraser, where Sir Edward was chairman until the DTI revealed it was planning entirely unconnected disqualification procedures against him.

When the case against Sir Edward and his former colleagues comes before the Chancery Division of the High Court - the first hearing has been pencilled in for November 14 - the insolvency service of the DTI will contend that their conduct makes them unfit to be concerned in the management of a company.

The action against the former directors of Homes Assured falls under Section 6 of the Company Directors Disqualification Act, which can be invoked following voluntary or compulsory liquidation. In the case of Homes Assured, a compulsory wind-up, the official receiver compiled a report on the circumstances surrounding the 1989 collapse and earlier this year submitted it to the disqualification unit of the DTI in London.

Sir Edward, who resigned as a non-executive director before the collapse, and the other former directors have already received from the DTI a "10-day" notice letter, informing them that summonses were about to be issued.

They are expected to be served in the next few days and Sir Edward has already said he intends to oppose the DTI action when it finally reaches court.

BRITAIN IN BRIEF

Brel axes 450 jobs in midlands

Brel, the railway rolling stock manufacturer privatised three years ago, announced that it was to cut another 450 jobs just seven months after shedding 1,200 employees. It blamed a shortfall in orders and a rationalisation programme aimed at making the company more competitive.

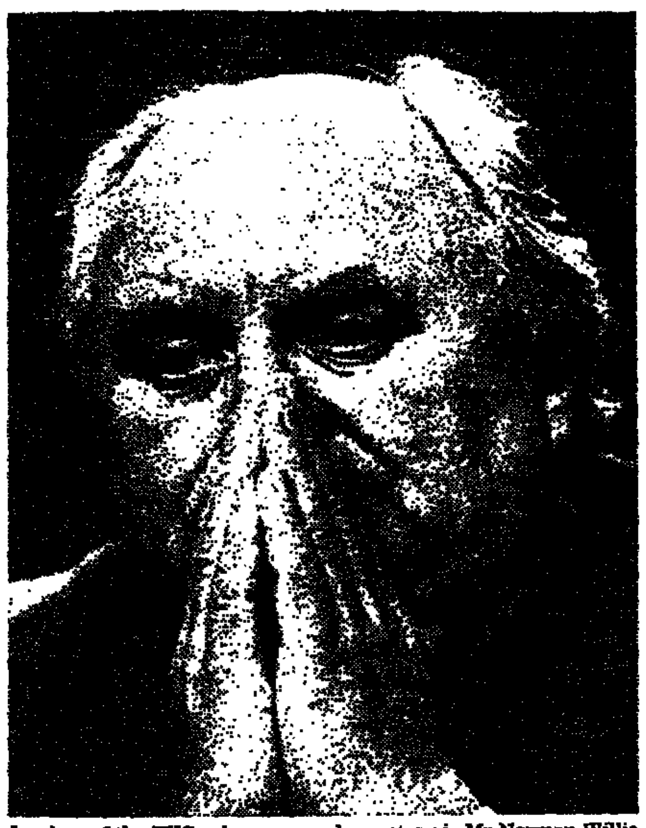
Nearly half the job losses will be at BREL's headquarters in Derby, where 124 white collar and 95 blue collar jobs will go. The rest - 63 white collar and 168 blue collar jobs - will be at Crewe. Meanwhile, British Rail is to axe its direct Inter-City link between London and Shrewsbury from next May. Passengers will have to change at Birmingham.

N Sea oil fields closed down

Two UK North Sea oil fields have been shut down because of a leaking pipeline. Platforms on the Balmoral field, which produces 32,000 barrels per day, and the adjacent Glamis field, which produces 11,000 barrels per day, were closed after the operators, Sun Company Incorporated detected seepage from Balmoral's export pipeline. The fields are expected to start up again tomorrow.

Homes needed to fill gap

About 500,000 homes will be needed over the next five years to fill the gap between projected housing need and provision, according to a report published by Shelter, the housing charity. It estimates that between 1,485,000 and 2,105,000 households in England will need a low cost home.



Leaders of the TUC, whose general secretary is Mr Norman Willis (pictured above), have given tacit support to a call for unions to boycott a government scheme to provide the unemployed with work experience writes Michael Smith. This may lead to government accusations of union irresponsibility and will increase the political controversy surrounding next week's annual TUC congress. The decision came as it emerged that at least two large unions are likely to back a motion calling for the repeal of all anti-union legislation.

New satellite product launch

Amstrad, the electronics group, is launching a range of satellite television products, including equipment to receive programmes broadcast in the proposed European standard for sharper television pictures.

The products, to be presented at a consumer electronics fair in Berlin, are part of its drive to capitalise on its success in the satellite market which has been doing well.

Bank note to be withdrawn

Blue £5 notes will cease to be legal tender after 29 November 1991, the Bank of England has announced, although it will continue to honour the notes, first issued in 1971 and withdrawn after the new design was introduced in June.

Credit card group cuts jobs

Around 200 jobs are to be cut at the UK's largest credit card processing operations owned by FDR, the card processing subsidiary of American Express, at Southend, Basildon, and Shoeburyness, in Essex. The cuts come two months after FDR purchased the processing operations from a consortium of large clearing banks for £146m.

Sex lines 'unacceptable'

Advertisements placed in national newspapers by 23 companies operating telephone sex lines have been judged "unacceptably offensive" by the Independent Committee for the Supervision of Standards of Telephone Information Services (ICSTIS).

BCCI SHUTDOWN

Writ for damages is filed against government in HK

By Angus Foster in Hong Kong

A DEPOSITOR in Bank of Credit and Commerce (Hong Kong) has filed a writ for damages against the colony's banking commissioner and attorney general. This is the first time a depositor in the closed bank has taken direct action against the government and other depositors may now follow suit.

The depositor's case will hinge on the government's decision to try and keep BCC (HK) open following the worldwide closure of the bank by regulators last month.

The writ shows depositors' mounting frustration that the government has failed to secure a buyer for the bank, which has not been linked with fraud elsewhere in the group. Earlier this week the provisional liquidator delayed winding up the bank for up to two months.

Winding-up may take years

DEPOSITORS with millions of dollars locked up in the Bank of Credit and Commerce Canada have been warned it may take up to five years to wind up the institution unless a buyer can be found quickly for the assets, writes Robert Gibbens in Montreal.

The Canadian arm of the BCCI was shut by federal regulators on July 5. It had assets of C$203m, including C$149m in outstanding loans and C$30m in Treasury bills. However, some loans were made to other BCCI units.

Mr Mel Zwaig, a partner in Arthur Hendersen, court-appointed provisional liquidator, told depositors and creditors in simultaneous meetings in Montreal, Toronto and Vancouver that only one potential buyer has come forward and signed a confidentiality agreement.

About 6,000 depositors have about C$100m frozen in BCCC, but only C$22.5m are covered by Canada Deposit Insurance.

Lloyd's Names face further losses

By Richard Lapper

WELL over a third of Lloyd's Names could lose more than £50,000 in 1991, according to a survey by Chatset, the independent group which analyses the results of the Lloyd's insurance market.

Chatset accused Lloyd's of London of "playing down" the scale of difficulties faced by Names, the individuals whose capital backs underwriting at the insurance market.

In July, Lloyd's said fewer than 1,000 Names had made losses of more than £50,000 in 1988. An overall loss for 1988 of £510m was announced in June. Lloyd's argued that the net pay-out by Names would amount to £300m, since Names can offset losses against tax.

Chatset, which published its annual statistical review of the market, Lloyd's League Tables, yesterday, said Names faced "more pain" next year.

Losses for the 1989 underwriting year, whose results are published in June next year, could amount to more than £1.3bn, £300m more than earlier estimates. This consists of £1bn, with reserves against future losses adding an estimated £300-400m extra to the bill. On the basis of an independent survey of 78 Names, Chatset says over a quarter could face losses of over £50,000 on 1988 alone.

Mr Charles Sturge, a co-author of the Chatset report, said 25.3 per cent of Names surveyed had incurred losses of over £50,000 on the results of the 1988 year. Chatset says that during 1991 Names had paid an additional £455m in cash calls for 1989 and 1990. Together with income tax paid on their US earnings of about £80m, Names' outgoings totalled over £1bn. After taking into account these amounts, Chatset says 38.5 per cent of its sample face losses of over £50,000.

The average loss making Name has written out a cheque for £27,000 this year.

Chatset admits that its figures do not include any provision for recoveries against UK income since "these are quite irrelevant, unless Lloyd's would like to give every Name a notional tax credit against their solvency deficiencies."

Commenting on the failure of Lloyd's to win tax relief for Names earlier this year, Chatset suggest Lloyd's should make "a categorical statement of the position of Names, instead of trying to paper over the cracks."

Training remains an Achilles heel

Peter Marsh reports on the findings of the latest OECD report

NEARLY one year after Britain joined the European exchange rate mechanism, its effects in changing attitudes to wage bargaining and inflation across the economy are already becoming clear, according to the Organisation for Economic Co-operation and Development.

In what amounts to its annual audit of the UK economy, the 24-nation organisation says "the settings of (UK) policy are now consistent with steady disinflation". That is largely a result of Britain's entry last October into the ERM, which by radically reducing the scope for any depreciation in sterling, is intended to damp cost increases across the economy.

There are signs, says the report, that workforces and managements are taking on board the implications of the new economic regime provided by the ERM. "Most recent wage settlements provide some....evidence of a change in attitudes," the report says.

The OECD dismisses notions that recent cuts in UK interest rates, which have fallen to 11 per cent from 15 per cent last October, could have been bigger but for Britain's ERM entry.

"The main constraint on lower UK interest rates is excessively high inflation, not membership of the ERM."

Although the study says that the UK's recovery from the year-long recession may be hesitant and relatively weak, it believes the UK economy is in a good position to capitalise on low inflation by expanding steadily during the 1990s.

But a major disadvantage is poor levels of skills and education compared with many other industrialised nations. The relatively low quality of managerial skills in the UK may be one of the reasons why many overseas companies in recent years have set up green-

The UK continues to suffer the effects of vocational and traing programmes being relatively underdeveloped in Britain "and directed at immediate job creation rather than the acquisition of basic skills"

field industrial operations in the UK, introducing their own senior management, rather than buy out existing British companies, according to the report.

The UK continues to suffer the effects of vocational and training programmes being relatively underdeveloped in Britain "and directed at immediate job creation rather than the acquisition of basic skills". The report also points out that government spending on projects to improve the labour market by giving people new skills "has been relatively low compared with other European countries" – although it has risen in recent years.

A priority, the study says, is to increase the number of school leavers with formal qualifications. While in west Germany, virtually all 17-year-olds attend educational establishments, the figure for Britain is less than 50 per cent.

A catch-up in vocational and technical education levels to those of the country's major competitors is "equally critical". Only 38 per cent of the UK industrial workforce have received formal skills-based training, compared with 67 per cent in Germany, 79 per cent in Italy and 80 per cent in France.

In the area of public spending, the study points out that recent UK government measures which have curbed the financial powers of local authorities "represent a swing towards centralisation, in marked contrast to trends in some other unified systems in OECD countries, where decentralisation has been encouraged to promote efficiency and responsiveness of government".

THE OECD hints that these moves towards centralisation have run counter to other efforts by the UK government to reshape public services such as health and education to reflect people's needs and increase efficiency.

It urges that more should be done "to improve the efficiency of (public sector services) through the separation of financing and the delivery of services, greater management autonomy and enhanced accountability."

Partly due to ERM entry, and also the effects of unemployment caused by the recession forcing workers to moderate demands over wage increases, the rate of rise in retail price inflation should fall to 4 per cent by the end of the year, according to the OECD.

Another factor which may have led to lower wage rises in the past year, according to the study, may have been the effects of the European Community's 1992 trade-liberalisa-

Prospects for sustained levels of low inflation are good, although much will depend "on the speed and durability of the shift in private sector expectations and beahviour patterns (over pay)

tion programme, which has led to a deeper realisation in UK industry that its own costs cannot be allowed to rise faster than those in companies in the rest of Europe.

The OECD believes prospects for sustained levels of low inflation are good, although it says much will depend "on the speed and durability of the shift in private sector expectations and behaviour patterns (over pay) .... as well as on the firmness of the (UK monetary) authorities' commitment to the new exchange rate regime".

Once underlying inflation is on a firmly downward path, the UK is advised that a move from its current ERM band, which limits currency movements to 6 per cent, to a 2.25 per cent narrow band would "further enhance" its credibility in fighting inflation.

BRITISH ASSOCIATION

Gene defects should not lead to discrimination

By Clive Cookson, Science Editor

A LEADING geneticist yesterday called for legislation to prevent insurance companies discriminating against known carriers of inherited disease.

Prof Bob Williamson of St Mary's Hospital Medical School, London, said at the British Association meeting that people should not suffer discrimination when seeking life insurance, if tests showed that they carried genetic defects.

He contrasted their situation with that of people whose lifestyle predisposed them to disease.

Rapid progress in identifying the specific genes responsible for human diseases means that insurers will soon have to decide how to treat those who are tested for them. The arguments are likely to be similar to those already put forward on the controversial issue of life insurance for people who have been tested for Aids.

Tests for single defective genes are already available andwithin a few years, tests will be developed to show people's predisposition to more complex diseases caused by a combination of genes and environmental factors, including heart disease and cancer.

Prof Williamson argued that people should be encouraged to take such tests, as long as they are accompanied by appropriate counselling, because they could then change their lifestyle to reduce the chance of the disease actually occuring. Discrimination against people who have particular genetic combinations would discourage testing.

Industry 'must take longer-term views'

INDUSTRY must look beyond the short-term financial figures and take into account "hidden values" when making investment decisions, Mr Robert Malpas, former managing director of BP, told the association writes Clive Cookson.

Robert Malpas

Discounted cash flow, the basis of all investment calculations, is the "enemy of strategy" if it ignores values which cannot be quantified at the time the investment is made, Mr Malpas said.

Mr Malpas, chairman of Cookson Group, said the most important hidden values were "options for the future," including unknown new business opportunities created by an investment.

Mr Malpas described an example from BP. The cost of building a modern computerised control room for the Grangemouth oil refinery in Stirlingshire in 1983 had been estimated at £23m. The real rate of return, based on conventional discounted cash flow, would be seven per cent well below BP's threshold for capital expenditure at the time.

BP's business managers opposed the investment, "taking the line that it could always be built at a later date. There seemed to be many more important projects with higher priority."

But senior managers eventually pushed the project through, "on the argument that the new control room would provide data of a quality not available before." This is what happened. The computer system, installed during the mid 1980s, led BP to identify a host of "highly profitable" opportunities to cut costs and create new products at Grangemouth. He pleaded with industry to invest more in technology: "Look beyond the immediate numbers when considering future investment. Only then will we create the climate of long-termism we all wish to have permeating all sectors of the economy."

Robots may take on roles in surgery

ROBOTS are moving on from their traditional industrial roles to new applications working with animals and people writes Clive Cookson.

"Surgery presents by far the most challenging field, with robots being required to provide assistance to surgeons in precision operations such as in brain surgery," Mr Koorosh Khadabandehloo, director of Bristol University's Advanced Manufacturing and Automation Research Centre, said.

The centre is developing an experimental robot to help surgeons carry out the delicate drilling operations required in ear surgery. It has been tested on cadavers

Safety concerns mean that "it may be several years before commercial systems become widely accepted in the medical community," Mr Khadabandehloo said.

Prof Michael Brady of Oxford University's robotics laboratory described other surgical robots. IBM researchers in the US have developed a system for inserting the metal pin used in hip surgery, while Dr Brian Davies and colleagues at Imperial College, London, have worked on a system for prostate surgery.

"It is very important to understand that this work is not intended to replace the surgeon," Prof Brady said. "The surgeon is there controlling the operation."

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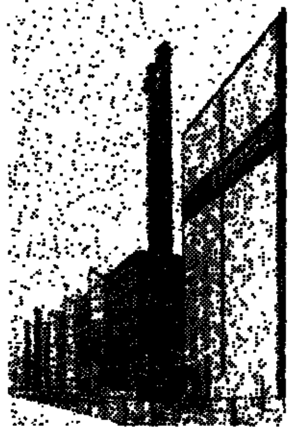

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ACCOUNTANCY COLUMN

Law of silence cloaks audits of failed companies

By David Waller

ONE of the problems for the auditor of failed companies is so-called "client confidentiality": the principle that under no circumstances should he talk about the affairs of a client. It is a legal obligation which means that the auditor has to keep his lips sealed even at times when it may be in his own interest to talk.

It must be frustrating for Ian Brindle, senior partner of Price Waterhouse and under normal circumstances a helpful, open, even outspoken sort of person, to have to keep quiet about his firm's audit of the collapsed Bank of Commerce and Credit International. But it is not only Mr Brindle who is suffering in silence.

The spotlight is soon to move back on to Mr Paul Hipps, senior partner of Stoy Hayward, the firm which was auditor to Polly Peck, the fruit, leisure and electronics concern which went into administration last October.

Towards the end of next month, the committee of Polly Peck's creditors will meet again to hear how the administrators are proceeding in their plans to realise value from what is left of the business.

The administrators, Mr Richard Stone and Mr Michael Jordan at Coopers & Lybrand Deloitte and Mr Christopher Morris at Touche Ross, have had full access to the Polly Peck audit working files. Creditors are very likely to ask the administrators whether they have any comment to make on the Stoy Hayward audit.

In November last year, shortly after administrators were appointed, Mr Hipps took the unusual step of speaking out about the audit.

In an interview published in the Financial Times dated November 22, he said that the firm had been a victim of the "expectation gap" between what the public expected of auditors and their role in reality.

Mr Hipps said that after an internal review he was satisfied that the audit of the company was carried out 'to the highest possible standard'. Answering specific criticisms about the way the company accounted for foreign currencies – its foreign exchange losses being taken against reserves rather than against profits – Mr Hipps was within the rules. He added that the policy had been reviewed and endorsed in 1988 by one of the then Big Eight accountancy firms.

The question of accounting for foreign currency translation is central to the discrepancy between cash flows and reported profits...Analysts have argued that Polly Peck's reported profits for the last five years as a listed company would have been wiped out had the translation losses been taken above the line rather than against reserves

The question of Polly Peck's accounting for foreign currency translation (under SSAP 20) is central to the discrepancy between cash flows and reported profits at Polly Peck. Some analysts – notably Gary Schieneman at Smith New Court in New York – have argued that Polly Peck's reported profits for the last five years of its existence as a listed company would have been wiped out had the translation losses been taken above the line rather than against reserves.

Mr Hipps did not disclose which of the big firms had endorsed the accounting treatment. The Accountancy Column can disclose, however, that it was Coopers & Lybrand. The firm will not comment in detail on this piece of work, although it acknowledges firstly that it did endorse the accounting treatment and secondly that it did other work for Polly Peck and for Mr Asil Nadir; for example, consultancy projects for the Polly Peck's Turkish businesses and personal tax work for Mr Nadir. It was because of potential conflicts of interests that Mr Morris was appointed as a third administrator.

The most serious questions are for Stoy Hayward to answer. Why in 1988 did the firm seek a "second opinion" from Coopers & Lybrand about Polly Peck's compliance with SSAP20? Did Stoy then have doubts as to whether the figures were "true and fair"? And there remains a question for Mr Hipps today: is he satisfied that, in retrospect, the latest set of accounts were "true and fair" – according to a layman's understanding of the words?

It is not known when Stoy first started to audit Polly Peck or any of the other Nadir companies out of which Polly Peck grew in the early Eighties. A small firm of Northern Cypriot chartered accountants – Erdal & Co – was responsible for auditing the Cyprus businesses. But one question which has never been answered is this one: Of the total profits, sales, and assets in the final set of accounts, what percentage was actually audited by a Stoys team?

In 1980 and 1981, Polly Peck shares rose dramatically following reports about the profits which were expected to flow from the packaging venture in Northern Cyprus.

At the time, a series of articles in The Observer provided damning evidence to suggest that the Cyprus businesses were not substantial enough to generate the level of anticipated profits. These articles helped create a climate of suspicion which led to the first collapse of investor confidence.

The cash-flow crisis which led to the appointment of administrators last autumn was in part caused by the transfer to Northern Cyprus of monies for investment in the leisure sector. According to Mr Morris, the total amount transferred to the Northern Cyprus businesses between September 1987 and the autumn of last year was as much as £300m.

Presumably at this time the bulk of Polly Peck's profits were audited not by Stoy but by Erdal.

Did Stoy take note of the press reports, and if so, did it take any extra steps to ensure that Erdal was doing an effective job? More generally, did the way in which Stoy checked the quality of the Erdal audit change over the years?

How many people worked on the audit and how much direct supervision of the Cyprus audit was there by Stoy partners and staff? Was it simply a matter of checking Erdal's working papers?

The cash-flow crisis which led to the appointment of administrators last autumn was in part caused by the transfer to Northern Cyprus of monies for investment in the leisure sector. According to Mr Morris, the total amount transferred to the Northern Cyprus businesses between September 1987 and autumn last year was as much as £300m.

The money is reported to have been transferred on the authority of Mr Nadir alone and could not be remitted back to the UK when the parent company encountered its liquidity problems. Was Stoy ever concerned that too much executive power was concentrated in the hands of Mr Nadir and furthermore that he personally was able to authorise capital investment projects running into hundreds of millions of pounds, without requiring the approval of the full board? Did Stoy at any time have any doubts about the cash held on deposit in Northern Cyprus?

Mr Hipps has gone "on record" to say that he is satisfied with his firm's audit of Polly Peck. Perhaps he has asked himself these very questions.

The problem for the rest of us is that we will never know the answers: Mr Hipps will not defend his firm's audit, except in the most general terms, for reasons of client confidentiality.

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MANAGEMENT

Richard Evans (left) and Philip Angier: "Our financial performance has not been frightfully distinguished"

Why Traidcraft papered over its raison d'être

Andrew Jack reports on the consequences of recession on a company set up with the very best of intentions

While the recession has made victims of many companies, few face the philosophical difficulties it has caused a trading compar.' in the north east of England.

Traidcraft, based in Gateshead, was set up to provide "fair trade" with the Third World by selling goods bought at reasonable prices from co-operatives and other small producers in the less developed world. It believes suppliers should offer reasonable pay and conditions to employees, and work in a way which is sensitive to the local environment.

The company sells other items which are in some way "alternative", such as recycled paper products, while managing the mail-order operations for organisations including Greenpeace, Amnesty International and New Internationalist.

It is also structured somewhat unusually. The company has launched three share issues during the 1980s, which were sold to people committed to Traidcraft's aims. None carries voting rights, and the company has always warned that there is little prospect for dividends or capital growth in their value.

Smiling photographs of the 120 staff – most of them Christians – greet visitors to the headquarters. Nearly all the staff, including the senior executives, dress casually and work in pokey, humbly furnished rooms. Everyone meets for a tea-break twice a day, for a meditation session on Mondays and a business meeting each Thursday.

But the recent recession has shaken this "progressive" image. Shareholders will be in for a surprise at the annual general meeting next month. In circumstances painfully familiar to many businesses run on ethical lines, the company has unveiled losses for the financial year. The managing director has resigned "by mutual agreement" with the board. Staff have been made redundant, and a new management structure launched.

"Our financial performance has not been frightfully distinguished," concedes Philip Angier, T-shirted finance director and acting managing director, over a sandwich lunch in his small office.

Traidcraft made a pre-tax loss of £118,000 on turnover of £5.49m for the year ending March 1991, compared with a profit of £106,000 on turnover of £5.43m in the previous 12 months. It managed to cut the loss for the year to £57,000 only by selling a second warehouse it owned for £61,000.

"Our first reaction was that we are suffering because of the recession. Then it became clear sales were suffering because our products were not particularly successful, and there was no growth in our customer base," says Richard Evans, director of external affairs.

One of the main declines was in recycled paper, with turnover down 18 per cent to £974,000 this year. When Traidcraft first launched the range – which includes toilet paper and stationery – it was a trend-setting novelty. Now that high street stores have begun to venture into the market, it finds it hard to match the prices with its own label.

The company has also discovered that "political solidarity" was at least as important as quality in support for its coffee sales, which are down 21 per cent to £401,000 this year. Much is sourced from Nicaragua, and sales relied on consumers who supported the Sandinista government's programme of agrarian reform.

That demand has tailed off since the election of the conservative Chamorro regime last year, even though Traidcraft says it has not yet seen any evidence of the reforms being overturned.

Traidcraft is committed to long-term links with producers, insisting that they should receive a price which reflects production costs. As a result, while world coffee and other commodity prices have declined, the company has been unable to follow suit. The growing differential between the price of its brands and others has come at the expense of some custom.

Fair trade principles also apply to the clothing the company deals with. While sales have been rising, margins are low and using small suppliers causes problems not faced by competitors. The Bangladesh cyclone halted some deliveries, and a recent consignment of Peruvian sweaters was destroyed in a fire on a bus on its way to Lima.

"There is a bit of a tendency to say this is a lot of effort for little return, so why bother?" says Evans. "But clothes are at the heart of Traidcraft's message; they are a basic consumer product which we should support."

The drop in demand for parts of the product range might suggest that the market for consumers willing to support fair trade – at least where it involves paying a premium – is saturated. So might the evidence from Traidcraft's most recent share issue last year. While the two previous issues were heavily oversubscribed, this one was only two-thirds taken up.

But Angier says dampening interest is more a function of the downturn, as well as the growing number of alternative organisations offering investment opportunities, such as the Centre for Alternative Technology in Wales. Equally, most of the new subscribers did not previously hold shares, which seems to indicate that there is a steady flow of new people committed to the company's ideals.

Overall, turnover has increased modestly despite the recession. Sales of handicrafts rose 20 per cent to £1.85m. Cards and calendars were up 10 per cent to £378,000. Mail-order contracts for other organisations increased 24 per cent to £345,000.

At the same time, however, overheads continued to rise more sharply. As a result, Traidcraft made 20 staff redundant in July. It has embarked on a major reorganisation of management structure, switching from functional to product divisions.

Where there were previously managers for finance, sales, product development and operations, the same individuals are now responsible for food and beverages, cards and paper, gifts and housewares, fashions, and contracts. Among other things, that will allow more efficient distribution systems to be set up for different products. There is also greater emphasis on marketing, including a commitment to hire a marketer as the new managing director.

Traidcraft sells half its goods through a network of 2,000 sales reps, and the rest is evenly divided between four shops and 80,000 people on its mail-order lists. But all the products were marketed identically, with everything packaged together in spring and autumn catalogues each year.

"We were trying to sell everything in the same way," says Evans. "Now we realise that for different customers, there should be different tactics. We shouldn't assume that just by sending everyone everything they will buy it." It plans to launch separate catalogues for different parts of the product range.

Traidcraft is talking about other changes too. Most fundamentally, it is shifting away from its paramount emphasis on producers. Some products are likely to be discontinued. Prices on others may be reduced in line with world trends. It now plans to generate sufficient profits to allow payment of a regular dividend to shareholders.

There is questioning of the previously sacrosanct principle that the difference in salary between the lowest and highest paid employee should be no more than 2.75 times. The ownership structure may also be reviewed to allow voting rights for shareholders in place of the existing paternalistic control through Traidcraft Exchange, the charity which currently holds all but 3 per cent of the votes.

"If we are going to hold ourselves up as an attempt to trade in an ethical way, we have a responsibility to staff, customers and shareholders as well as producers," says Angier. "It is in their interest that we endear ourselves to consumers."

While the changes may seem to make sound business sense, they suggest to some that Traidcraft is losing its way as an alternative trading company. Certainly Richard Adams, who founded the company in 1979 and now heads New Consumer, a charity which conducts research into corporate responsibility, has his doubts.

He believes it is attempting to restructure and operate as a conventional business, when its strength lies in continuing to innovate. Now recycled paper has entered the mainstream market, Traidcraft should move into organic produce and support other causes like exploited textile workers in the UK, he says. He argues that a large number of untapped consumers remain willing to pay premium prices for fair trade goods.

He also says a long-term commitment to help the development of small-scale producers – something its competitors do not do – is Traidcraft's forté, and one that both requires and justifies financial support from government and charitable bodies. It should not expect this aspect to be self-financing; Traidcraft's charitable arm recently received a matching grant of up to £505,000 over four years from the government's Overseas Development Administration to help it provide technical assistance to third world enterprises.

Despite the doubts, Evans argues that Traidcraft will be most effective by going ahead with its restructuring plans, and expanding far beyond its existing turnover. "We have moved from a turbulent adolescence into adulthood," he says. "And we have sharpened – not diluted – our principles."

Canny Milanese stay put in August

Some profit from the Italian shutdown, reports **Haig Simonian**

The Milanese are a hardy lot. In August, apparently no one suffers from toothache, sickness or domestic crises. On the third attempt to find a dentist, my assistant was told to call back in a month. The papers are full of emergency numbers to ring if a pipe bursts. Our postman seems only to come every other day.

Italy, like much of southern Europe, shuts in August. The dentist is probably by the sea in San Remo; chances are the doctor, based in his holiday flat in Cortina d'Ampezzo, is off rambling in the Dolomites; even the plumber may have gone back to see his folks in Sicily or Sardinia.

In our small block of flats, we are alone, but not quite forgotten. For despite the annual scare stories in the press about services coming to a halt, Milan functions quite well.

True, there are far fewer shops open. But for foreigners used to going to the supermarket rather than touring dozens of small family stores, the fact that many shutters are down hardly matters.

All the big supermarkets remain open, and some even introduce longer hours to profit from the captive demand. Regular Monday morning closing is suspended in the summer at one local supermarket; another stays open longer.

Admittedly, dry cleaners take some finding, and the choice of restaurants is severely reduced particularly around the mid-month Ferragosto holiday on 15 August, when virtually everything comes to a halt.

According to figures from the chamber of commerce and one of the country's fledgling consumers' organisations, only 45 per cent of Milan's food shops were open during on the week of 5 August. That figure dropped to 41 per cent for bars and restaurants and 29 per cent for non-food shops.

Their numbers fell further by mid-month. Anyone in urgent need of an electrician and letting their fingers do the walking through the yellow pages to an emergency service could find themselves facing a hefty L200,000 (£90) call-out fee, specially hiked up for August.

Factories are quiet, although short-time working means that Fiat's big car plants outside Turin closed a week before the traditional end-July deadline. Pirelli, Falck and the other bastions of north Italian business are also silent.

But not all the big plants shut. Maverick Olivetti traditionally takes its holidays in July.

Likewise some of the captains of Italian industry were still be found in the office, rather than on board the yachts so many prefer. Enrico Cuccia, the veteran honorary president of Mediobanca, the highly-influential Milan merchant bank, is the best known example of an August worker.

Despite the Italians' love of doing things in droves, he, like many others, appreciates August's potential to get things done. August in Italy is the ideal time for clearing one's desk or finally getting to grips with those longer-term projects which have been put off throughout the year.

Driving in the city is a dream. A 30-minute journey from home to the office suddenly takes no more than eight. Parking spaces, never easy to find, are suddenly available by the acre. And parking wardens, never too numerous in Milan, simply vanish.

Even if most cinemas and theatres are closed, there is still some entertainment. An open-air cinema in the grounds of a beautiful old church provides nightly movies. And Milan's council, so easy to criticise in virtually every other respect, lays on a series of top-name concerts and entertainments in a park adjoining Milan's scaled-down version of the Arc de Triomphe.

But it is probably vets who are in the biggest demand. One of the less pleasant aspects of the August exodus concerns the hundreds of animals abandoned at home or in the street as their owners make off elsewhere. Despite regular publicity campaigns by the council, many Milanese apparently have yet to grasp the need to find a solution to the problem of their beloved *gatto* (cat) or *cane* (dog) when it is time for the annual *villegiatura* to the sea or the hills.

BUSINESSES FOR SALE

The past and presents of Japan

Patricia Morison looks at two complementary exhibitions in Glasgow

By the time the Japan Festival runs out of steam next February, two Great Dates may have wedged in our heads. In 1853 Commodore Perry steamed into Edo Bay and in 1868, the restoration of the emperor ended the Shogunate's long rule. And so the Japanese oyster, rudely prised open by the Americans, embarked on its phenomenal learning curve. Two complementary exhibitions which opened in Glasgow this week deal with aspects of the fascinating debate between industrialisation and tradition in early modern Japan.

Art for Industry, at the Kelvingrove Museum and Art Gallery, sounds a little dreary but is quite literally about art being exchanged for industrial expertise. In November 1878 the Japanese government sent the Glasgow Museum 31 cases packed with wares such as porcelain, paper, wood and lacquer, costume accessories, musical instruments, furniture, and metalware. They were not antiques but shiny new products of the kind already being exported to Europe where Japanophilia was growing fast.

Not all 1,100 objects are in the exhibition, which to my mind is a mercy. A little of this ornate Meiji style goes a long way, and there are too many butterflies, blossoms, and whooping cranes, too much red and gold. The effect is reminiscent of the gift hall of an expensive department store: Ghastly Good Taste teetering on the edge of kitsch.

However, the history of the 1887 gift is interesting. From the donor's point of view, of course, the point of it was the response. A Glaswegian called Robert Smith had been appointed Professor of Engineering at the new Tokyo University and the gift was his idea. The Japanese had a good idea of what Scotland had to offer. Six years earlier, Glasgow had entertained members of the Iwakura mission which had spent many months in Europe examining its institutions and industries.

As Smith had hoped, Scottish companies responded with industrial samples, bricks, asbestos, sewing-cottons, Lucifer match-boxes and the like, to help Japanese engineering students. But the gift was not wholly prosaic. Records show that the Glasgow Corporation contributed 24 paintings, recently located by a Japanese scholar in the recesses of Tokyo's gloomy National Museum. Kelvingrove's curators were relieved to learn that the councillors appear to have gone for quantity rather than quality, sending landscapes after Claude and portraits after Watteau, with an early Victorian scene of Bonny Prince Charlie with kilt-wearing female supporters. The exhibition runs until January 5 and is sponsored by Mitsubishi Electric UK. An upstairs gallery at Kelvingrove has an exhibition of woodblock prints, the much-loved Ukiyoe or "Floating World" school (until October 6).

The fascinating debate between industrialisation and tradition

Mingei. The Living Tradition in Japanese Arts is a ravishingly beautiful show at the Burrell Collection, sponsored by the Royal Bank of Scotland. *Mingei* translates as handicrafts or folk art, but it is perhaps better to use the Japanese word in view of many people's reactions to craftware. In fact, this is an exhibition of objects so simple and so eminently desirable that it could drive you insane with covetousness.

Is there anyone who would not want the little round-bellied brass cauldron? Or the kimonos of indigo cotton with their wonderfully bold designs in sky blue? How well a dreary hall would look with one of those great stoneware jars used for storing tea. Here are lacquer bowls which, although they are patterned with red and gold, are done with total economy using no pattern more ornate than the shape of a leaf.

If you think "Conran" in this exhibition, that is to do with the complex ancestry of one particular late-20th Century notion of good taste, part Japanese and part Bauhaus. *Mingei* was a term coined by Yanagi Soestu (1889-1961). In the 1920s a reaction set in among avant-garde circles against European cultural dominance and against mechanisation. Yanagi, however, was heavily influenced by early readings of Ruskin and William Morris (but without the socialism), by his response to the mysticism of Blake and Whitman, as well as by Zen Buddhist concepts.

Yanagi started a sort of Japanese Arts and Crafts movement, venerating the idea of the craftsman and the handmade product, cheap, unconsidered, functional, and beautiful. Yanagi's comrades in the battle to preserve the integrity of the people's art were the three potters, Bernard Leach, Hamada, and Kawai.

The exhibition comes from Yanagi's foundation, the Mingei-kan in Tokyo. This small museum was built in the 1930s and it is a place which exudes an atmosphere of refinement and tranquillity. The founder's son, Yanagi Sori, has designed this exhibition impeccably, and it is well suited by the predominantly wooden architecture of the gallery. The exhibition closes on October 6 (late opening on Wednesdays until 9pm), and moves to the Craft Council Gallery in London from November 21 to January 12.

Romeo and Juliet

ROYAL SHAKESPEARE THEATRE, STRATFORD-UPON-AVON

The Royal Shakespeare Company has staged *Romeo and Juliet* five times since 1980, each version more sombre than the one before. This latest production recognises that the action takes place, for the most part, at night and indoors; it trusts the play's images to the point that it creates an environment for the action simply by following the text closely, and leaves it at that. The result is an intense and compelling closet drama.

Shakespeare wrote *Romeo* in 1595. While it has more commerce with the *Sonnets* than any other drama, it looks towards specific moments in the subsequent plays. The bachelor banter of Romeo and Mercutio beckons to Benedick (*Much Ado About Nothing*); the breathless, tender love scenes are revisited by Ferdinand and Miranda (*The Tempest*), and the casual murders and accidental slaughters are a dry run for *Hamlet*. But it remains a verbal play, full of couplets, charged with puns and freighted with opposites; so the civil wars of love and hate were never more keenly fought or felt.

This *Romeo* is David Leveaux' main house debut as a director; it is remarkable for being such an open interpretation. It steers clear of the gimmickry and the limitations of its forbears. Leveaux rediscovers a play crammed with incident, busy and various, affecting and believable. The production's great strength is its refusal to decide that the play is about any one of the matters which the 31-year-old Shakespeare touched on: love, adolescence, parents, suicide, the claims of faction and the devices and desires of the heart. Giving equal weight to each issue results in a robust if occasionally heavy performance.

The set takes the play's darkness from Juliet's line "*all the world will be in love with night.*" Leveaux' designers Alison Chitty (set) and Jean Kalman (lighting) have created a shadowy interior gallery of panelled frescoes lit from above by shafts of sunlight which feel their way into the gloom. Beyond the crepuscular chambers lies the brightly lit "public haunt of men", the daytime venue for Verona's brawling families. As the action tightens, the interior falls away to become the public-private space of the Capulet tomb.

Alastair Muir

Clare Holman and Michael Maloney

This design both imposes on and helps the actors. Michael Maloney's Romeo skulks in the shadows, emerges only at night, and is by turns the essence of "drivelling love" and "violent delights." Opposite him, Clare Holman as Juliet matches her performance exactly to the environment; she manages to be melancholy and fresh, hesitant and decisive; it was a fine performance. Around them, Mercutio (Tim McInnerny) is all fancy and energy; he carves up "Queen Mab" into a kind of psychosis, and jokes his way out of life: "you shall find me a grave man."

The Montagues and Capulets have always been remarkable for their vigour; even the old are forever cajoling and bickering. Jonathan Newth as Capulet is forceful enough to curb the bellicose Tybalt. But he finds human frailty in a visible shiver as he stays up one more night to arrange his daughter's wedding.

The production maintains the play's consistent feeling of energy and youthfulness. Its openness makes one realise that *Romeo is a diverse play* unified not so much by its plot or its characters as by its overwhelming sentiment; it ends, as Coleridge said, "with a long deep sigh like the last breeze of the Italian evening."

Andrew St George

Czech Philharmonic Orchestra

USHER HALL, EDINBURGH

Czechoslovakia's composers have invariably run a busy account with their Western European counterparts, now borrowing ideas, now paying them back with interest. It has been a two-way traffic in music, well illustrated by the pair of contrasting works at this concert on Wednesday.

The programme was well chosen to introduce the Czech Philharmonic Orchestra, the mainstay of the festival's concert schedule in the final week. The orchestra has a growing reputation from its recent recordings. Heard live in the Usher Hall, it certainly made a distinctive sound, though whether that was due more to an innate sense of balance or the intervention of the conductor is difficult to say on a single hearing.

At this first of its three concerts the conductor was Charles Mackerras. From his series of Janáček opera recordings the special orchestral sound that he likes to get in this composer's music has become well known. It was the *Glagolitic Mass* which was on the programme here, and the strange luminosity of the score's textures brought out the best in conductor and orchestra alike, for the playing was beautifully transparent.

Other conductors from the West do this piece, of course: Rattle more assertively, Tennstedt all febrile activity. But none makes the music as expressive as Mackerras. Every phrase sang with emotion, making the performance easily the most moving of the *Mass* that I have heard. The quartet of Czech soloists, led by the soprano Zora Jehličková, was more than adequate. The Edinburgh Festival Chorus sang with tremendous power and attack. A shame, though, that they were forced to use a feeble electronic organ.

In the first half, Dvořák's Seventh Symphony had been just as uplifting. Mackerras is no heavyweight German traditionalist, so he does not try to make the symphony more like Brahms than it wants to be; while the orchestra is also made for sprinting, lean in build, reflexes quick in action. Its other two concerts, today and Saturday, look worth investigating.

★

Each year at Edinburgh, critics' prizes are awarded to the best of the festival in each category. An audience prize might seem more difficult to administer, but this year I have only once attended an event that ended with cheering and the stamping of feet in appreciation.

This was the reception at the end of the first recital by the Russian pianist, Tatyana Nikolayeva, at the Queen's Hall on Wednesday morning. Her programme, split across two recitals, consists of the 24 Preludes and Fugues by Shostakovich. This *magnum opus* was written for Nikolayeva and has been her impressive calling-card to British audiences over the past year both on record and at the Wigmore Hall, where she met with equal acclaim.

There is no need to rehearse the strengths of her artistry. Suffice to say that this is music the pianist has known and lived with for the best part of her professional life, and the determination with which she grasps these gritty, difficult pieces and shakes from them all the meaning that she can is awesome. The other recital falls this morning. The festival's first standing ovation looks a real possibility.

Richard Fairman

Talking in Tongues

THEATRE UPSTAIRS, ROYAL COURT

This ambitious new play tackles three of the most drastic polarities: black/white, male/female, home/abroad. Sometimes it loses focus; sometimes its generally realistic dialogue strays clumsily into the political or symbolic. But it never fails to command attention; and is often funny without demeaning the seriousness of its themes. The playwright is Winsome Pinnock, winner of the 1991 George Devine Award for New Writing.

The play's protagonist, though frequently ceding place to those around her, is Leela. A black girl from the Caribbean who comes to live and work in England, she espouses British ways so thoroughly that she can make nothing but small talk. She is always controlled; can never forget herself; and finds that her black lover has been two-timing her with a white girl. When she and her best friend Claudette (a black girl born in Britain) go to Jamaica on holiday, she finds some happiness but still no sense of home or of identity. She is so mild, meek and pleasant that it takes terrific pressure before she can let fly, or even admit anger.

The story is told with tension, vigour, irony, plenty of social context and much supporting detail. Other girls have their affairs too; and when the focus shifts away from Leela, it never loses our interest. The play's British black women sense how, by conforming to British values, they have surrendered their own language; they keep finding themselves ranked beneath white women (not least by black men); and they have even lost their parents' religion and the way their mothers had of expressing and releasing pain. The play ends, however, not in despair but with tentative optimism.

It is the realistic details, funny or alarming, that clinch the rightness of scene after scene: such as the black girl whose white boyfriend's parents give her English Rose make-up. And, when Leela and Claudette suddenly perform an act of violent malice on a white English girl, that's striking and convincing too. But when they spell out their feelings – "She takes comfort in the fact that she's not bottom of the pile", "She revels in my oppression" – the words sound stagey.

Hettie Macdonald directs, strongly bringing out all the play's contrasts and ironies. Joanne Campbell perfectly conveys the super-refined, elegant veneer that Leela has acquired, and the layers beneath. The other parts are all well taken; and I don't know that I've ever seen sex more convincingly simulated than in the scene between Leela's lover Bentley (Nicholas Monu) and the white Fran (Lizzie McInnerny).

Alastair Muir

Convincing: Nicholas Monu and Lizzy McInnerny

The staging is very much like the play. Sometimes it prefers stressing a point to making a situation ring true. The smooth overlappings of British small-talk, Leela's breakdown into wordless babble, and other passages: these are exaggerated. I see why that is. But *Talking in Tongues* works best, not when it makes points, but simply when it shows how things are.

Alastair Macaulay

Venus

LUCERNE FESTIVAL

Tucked away among the International Events which stud the Lucerne programmes like a major constellation, are many less predictable but not less valuable things concerning Swiss music and musicians. In recent years they have given concert performances of two of the principal operas of Othmar Schoeck – almost a local boy, born at Brunnen near the other end of the lake. Schoeck, who has so far not much benefited from the attention newly directed to post-Romantics like Schreker and Korngold (little of the glitter of Viennese decadence fell on him), well deserves rehabilitation.

This year the process continued with *Venus*, an opera made by Schoeck's friend Armin Rüeger out of Merimée's story *La Venus d'Ile*, produced with success at Zurich in 1922, since when it has been given only rarely. There was a revival at Heidelberg two years ago and one at St Gallen reviewed here recently.

Rüeger made no attempt to reproduce Merimée's particular and fascinating black humour, dry and laconic. He inflated and banalised the tale of the accidental excavation in provincial France of an antique bronze of Venus, which promptly exerts a mysterious evil influence, breaking up a marriage about to be celebrated and so bewitching the young bridegroom that he dies clutching the statue – given to him as a wedding present by his dilettante uncle who discovered it.

Schoeck's Horace, a sensitive, poetic youth aware of "dark powers" and worried about the distinction between passion and true love, is a far cry from Merimée's rough young country squire, only interested in village sports and delighted to have acquired for his wife a neighbour's pretty daughter with expectations. In the opera the statue come-to-life is mimed by a dancer. Potential difficulties for concert performance were skirted by providing free librettos and having enough light to read them by.

Rüeger's adaptation is clumsy and conventional but at least it enabled Schoeck to pour out his copious invention, surely and swiftly capturing mood after passing mood, from the springlike freshness of the bride Simone's initial happiness through eruptions of near-violence (and some curiously jazzy dance rhythms) in the central act, to an ending which comes dangerously near to bombast.

This master of the *Lied* wrote beautifully for the voice and no less well for the orchestra. What is more, he knew how to combine the two and let the voices through. Only in the ensemble scenes was there, in this performance, some lack of clarity. Not the fault, one suspected, of Mario Venzago, the Swiss conductor responsible for the recent revival in Germany, who will be repeating this performance in the near future at Geneva and Montreux.

The trouble lay surely with the acoustic of the Kunsthaus, clouding anything above a certain complexity – some of the wedding music sounded like pages from the Delius *A Mass of Life* poured into a vessel too small for them. The Philharmonic Workshop of Switzerland (one of three Swiss youth orchestras appearing at the festival) played with evident appreciation.

The leading role of Horace demands a lyric tenor of Wagnerian resistance. The American James O'Neal, already an experienced Lohengrin, was more heroic than lyrical. He lasted nobly, the top of his voice as vital, true and firm (and as hard) at the end as at the beginning, as if his throat and not the statue's were made of bronze.

Lucia Popp lent her special radiance to the unfortunate Simone – luxury casting indeed. The second tenor role of the Baron de Zarandelle, Horace's antiquarian uncle and giver of the fatal gift, was adeptly sung but too mildly characterised by Frieder Lang. Zarandelle's music, a foretaste of Pandarus in Walton's *Troilus and Cressida*, is not the strongest feature of the score.

The evening's outstanding singing came from the Danish baritone Boje Skovhus as Raimond, Horace's disapproving friend – an artist to watch. The small, efficient choruses came from Heidelberg and Basle. Prolonged applause from a well-filled house. A CD recording is said to be on the way.

Ronald Crichton

INTERNATIONAL

ARTS GUIDE

EXHIBITIONS

AMSTERDAM

Rijksmuseum *Indian Miniatures from Paris*: 100 pieces illustrating Mogul histories and Hindu epics from the 16th to 19th centuries. Also Court Gems from India, including a relief in alabaster showing a portrait of the Great Mogul Shah Jahan. Ends Sep 22. Closed Mon

Van Gogh Museum *Japan*: Van Gogh's Utopia, examining the influences of Japanese prints and culture on the life and work of Van Gogh. Ends Sep 22. Daily

BASLE

Kunstmuseum Swiss Drawings 1800-1850: a selection of the best work of the period, in which Swiss artists were searching for their own path between the Romantic school in Paris and the circle of German artists in Rome. Ends Oct 27. Also 20th century drawings from the Burckhardt-Koechlin Foundation, including work by Picasso, Alberto Giacometti, Modigliani Dubuffet, Ernst and Beuys. Ends Dec 8. Closed Mon

BERLIN

Agyptisches Museum Twilight of the Pharaohs: an exhibition reuniting the collections from East and West Berlin, and celebrating the discoveries and research of the 18th century Egyptologist Jean-Francois Champollion. Ends Oct 20. Daily

Schloss Charlottenburg Imperial Art from the Dutch Exile of Kaiser Wilhelm II: paintings, sculpture and artefacts, including silver and furniture from the time of Frederick the Great. Ends Sep 29. Closed Mon

Schloss Köpenick Rosenthal porcelain: a collection of work by one of the leading early 20th century German porcelain manufacturers, tracing developments in design from Jugendstil to the 1940s. Ends Jan 5. Closed Mon and Tues

CHICAGO

Art Institute Degenerate Art: The Fate of the Avant-Garde in Nazi Germany, featuring the work of artists held up for public mockery in 1937, who later won recognition as masters of their realm. This is a widely acclaimed exhibition originally mounted by the Los Angeles County Museum. Ends Sep 8. Also Tokens of Affection, an exhibition tracing the development of portrait miniatures in America since the 18th century. Ends Nov 1. Daily

DRESDEN

Albertinum John Chamberlain (b1927): metal collages and sculptures by the Florida-based artist known for the provocative spontaneity of his designs and subtle colouring. Ends Nov 3. Closed Mon

Zwinger Exhibition of rare Meissen porcelain dating from early 18th century, plus a selection of 18th and 19th century coffee-house drawings from the Eduscho collection. Ends Oct 6. Closed Mon

EDINBURGH

National Gallery of Scotland Saved for Scotland, a group of paintings and objets d'art acquired for Scottish public collections with the help of the National Art Collections Fund. Artists represented include Velazquez, Stubbs, Van Gogh, El Greco and William Blake, plus Italian maiolica, Venetian glass and sculpture by Bernini and Barlach. Ends Sep 29. Daily

Royal Scottish Academy Virtue and Vision: Sculpture and Scotland 1540-1990, tracing developments since the early days of court patronage to the strong native school of the present. Ends Sep 15. Daily

Scottish National Gallery of Modern Art Michael Andrews: Ayers Rock and Other Landscapes, including nine spectacular paintings resulting from a visit to Australia in 1983, plus a group of Scottish landscapes. Ends Sep 29. Daily

FLORENCE

Casa Buonarroti Artemisia Gentileschi (1597-1651/3), follower of Caravaggio and possibly the most famous woman artist of all time. The exhibition includes 30 paintings from Italian and foreign museums, together with several masterpieces by her father Orazio. Ends Nov 4. Closed Tues

FRANKFURT

Museum für Völkerkunde Signs of the Times: New Art from Africa. A collection of contemporary art from Zimbabwe, Nigeria, Zaire, Senegal and South Africa, dominated by current problems and pictorial story-telling techniques. Ends Feb 92. Closed Mon

Schirn Kunsthalle Marc Chagall: the Russian Years (1906-22), with 250 oils, watercolours, drawings and sketches. Ends Sep 8. Daily

GLASGOW

Hunterian Art Gallery The Nude: five centuries of drawings, watercolours and prints from the Hunterian's collection, including work by Dürer, Rembrandt and Epstein. Ends Oct 19. Closed Sun

HAMBURG

Museum für Kunst und Gewerbe Felice Beato in Japan: landscapes, towns, villages and people photographed in the feudal era of the 1860s. Ends Oct 20. Closed Mon

LONDON

South Bank Centre Ju Ming Sculptures: first British exhibition of work by the Chinese sculptor, with a display of 12 major bronze taiji sculptures, realistic and abstract, along the Queen's Walkway of the Royal Festival Hall. Ends Sep 13. Daily

Tate Gallery John Constable: largest-ever survey of the English artist's work. Ends Sep 15. Also William Blake: 150 watercolours, drawings and engravings from the Tate's fine collection of work by the English visionary poet and painter. Ends Nov 2. Daily

Victoria and Albert Museum Schinkel: A Universal Man, an exhibition devoted to one of the greatest and most influential classical architects of the 19th century. It includes paintings, architectural drawings, furniture, sculpture and silver from the Schinkel archive in Berlin. Ends Oct 27. Also Postmodern Prints: an exhibition of 50 objects by international artists, aimed at encouraging an assessment of the conflicting versions of Postmodernism. Ends Oct 27. Daily

MADRID

Museo Nacional de Etnologia Africa A Century Ago: sculpture, wooden statues, armour, costumes and ornaments collected at the end of the 19th century in Equatorial Guinea and other sub-Saharan locations. The exhibition includes a reproduction of living quarters from the period. Ends Dec 31. Daily

MILAN

Palazzo Reale Filippo de Pisis (1896-1956): an exhibition, drawn primarily from Milanese private collections, of paintings by the Italian artist who based his style on the fluent, quasi-Impressionist brushwork of Manet and Guardi. Ends Oct 13. Daily

MUNICH

Kunsthalle der Hypo-Kulturstiftung Thought Pictures: Contemporary Art 1960-90. Installations and paintings by 50 internationally recognised artists including Donald Judd, Frank Stella and Bruce Nauman. Ends Sep 8. Daily

Stadtmuseum The Last Emperor: Kaiser Wilhelm II in Exile. Ends Sep 22. Closed Mon

NANCY

Musée des Beaux-Arts Venetian Masters of the 17th and 18th centuries: 60 paintings on loan from Padua. Ends Sep 10. Closed Tues

NEW YORK

Metropolitan Museum of Art Masterpieces of Impressionism and Post-Impressionism, including works by Gauguin, Cézanne, Van Gogh, Renoir and Degas. Ends Oct 13. Closed Mon

Museum of Modern Art Lee Friedlander: Nudes. A selection of 50 photographs of female nudes ranging from intimate portraits to abstract figure studies. Ends Oct 8. Closed Wed

Whitney Museum of American Art Hunt Diederich: figurative sculpture and drawings by a long-neglected early 20th century artist. Ends Sep 29. Also John Baldessari: retrospective of 22 years of work by a pioneer of conceptual art. Ends Oct 20. Also American Life in American Art: the 20th century American experience as seen in paintings and sculptures from the permanent collection. Ends Nov 10. Closed Mon

PADUA

Museo Eremitani From Bellini to Tintoretto: 260 paintings by Italian artists of the 15th and 16th centuries. Ends May 92. Closed Mon

PARIS

Jeu de Paume Jean Dubuffet: The Last Years. More than 100 paintings and 90 drawings by the founder of Art Brut, dating from the period 1974-85. Ends Sep 22. Closed Mon

Musée d'Art Moderne El Lissitzky: 200 works, many lent by the Tretiskov Gallery in Moscow, offering a retrospective of the Russian constructivist (1890-1941), who was a major figure of the avant-garde at the time of the 1917 Revolution. Ends Oct 13. Closed Mon

Musée Picasso, Hôtel Sale The world's largest collection of Picasso's work, completed by Picasso's own collection of paintings by friends such as Braque and Matisse, and artists he admired, including Renoir and Cézanne. Closed Tues

Cartes musées available at all metro stations and museums, to avoid queuing at 60 museums including the Louvre, Musée d'Orsay and Versailles

ROME

Accademia Valentino Valentino: Thirty Years of Magic. 300 outfits made between 1960 and 1990 with their original accessories. The intelligent eye of the designer shows in the wealth of sources – William Morris wallpaper, Meissen pottery, Bronzino portraits and Tiffany lamps. Ends Nov 5. Daily

ROTTERDAM

Museum Boymans-van Beuningen Bruce Nauman: a travelling exhibition of his complete prints, assembled from an American collection, together with 10 sculptures from Dutch collections. Ends Oct 6. Closed Mon

STOCKHOLM

Moderna Museet Peter Weiss (1916-82): retrospective of the painter, author, poet, film-maker and man of the theatre. Ends Oct 13. Closed Mon

VENICE

Fondazione Cini From Gaudi to Picasso: 160 exhibits, including sculpture, paintings and drawings, by leading Catalan artists and architects of the late 19th and early 20th centuries. Ends Nov 24. Closed Mon

ZURICH

Kunsthaus Hans Finsler: Pioneer of the Neue Sachlichkeit. An exhibition of work by one of the most influential central European photographers of the 1920s and 1930s. Ends Oct 20. Closed Mon

FINANCIAL TIMES
NUMBER ONE SOUTHWARK BRIDGE, LONDON SE1 9HL
Telephone: 071-873 3000 Telex: 922186 Fax: 071-407 5700

Friday August 30 1991

Judging the UK economy

IN THE 1980s the UK's economy ceased to be the laughing stock of the western world. But success was not only far from complete; it was seriously endangered by mistakes in monetary policy. Those mistakes are being rectified, if at a high cost. Yet more must be done if the UK is to seize its opportunity to obtain the combination of sustained low inflation and high growth that has long eluded it.

One of the attractive features of the latest report on the UK economy from the Organisation for Economic Co-operation and Development is that it puts current agonies in a longer perspective. Domestic comment – not least from those prone to complaining about "short termism" in business – has been obsessed with whether recovery will begin this month, next month or the month thereafter. But activity cannot be so precisely predicted, or so finely controlled.

As the OECD points out, the UK economy created almost 3m jobs between early 1984 and mid-1990, by far the best job creation record among the larger European countries. Furthermore, "only Japan recorded higher labour productivity growth than the UK in the 1980s", while "manufacturing labour productivity increased as fast as in the 1960s". Of the group of seven industrial countries only the UK can make the latter boast. As a result, the productivity gap in manufacturing between the UK and major European countries narrowed in its favour for the first time since the second world war.

It is damaging to rational debate to pretend, as opposition politicians are wont to do, that nothing was achieved in the 1980s. It is just as misleading to pretend, as the government is equally wont to do, that everything is wonderful, except for the inflationary "blip" of the late 1980s.

Massive mistake

In the first place, that was no blip. It was a massive and costly mistake. The OECD believes that "sterling's adherence to the European ERM should now provide an effective nominal anchor and a powerful force to achieving lower inflation". So it should, even though, contrary to the OECD's view, it provides no "guarantee that excessive domestic cost increases will not be validated by currency depreciation". Greater independence for the Bank of England remains a priority.

In the second place, the economy retains notable structural weaknesses: profitability increased, but remained well below levels in other main industrial countries; productivity improved, but expenditure on research and development grew more slowly than elsewhere; education and training has been reformed, but "compared with other advanced OECD countries, an extraordinarily high percentage of students continue to drop out at the end of compulsory education without formal qualification" and skill shortages remain pervasive; wage inflation fell in the early 1980s, but the growth of real and nominal wages remained too high.

Muted response

The OECD is modestly optimistic about wage behaviour, citing the muted response of wages to the rapid fall of unemployment after 1986. But this may be an indicator of rigidity in the rate of increase of nominal wages rather than of greater flexibility. Moreover, the starting point for the UK was poor, with real wage rigidity greater than in any other significant OECD country.

The labour market remains the Achilles heel. Unemployment has risen by three quarters of a million over the last year, while the underlying increase in average earnings has fallen by only two percentage points, to 8¼ per cent. Yet, if sterling's present parity is to be combined with sustained economic growth, wage inflation needs to be no more than 5 per cent a year. On present form, meeting that target would require unemployment at over 3m, probably for years.

How to improve wage behaviour remains a priority. But the debate is characterised by complacency from the government and cowardice from the opposition. If neither can do better, the improved economic performance of the 1980s will be followed by a decade of high unemployment, with all its social and economic costs.

Metternich in the Elysée

PERHAPS ONE should not be too hard on President François Mitterrand. Few if any world leaders struck exactly the right note in their first reaction to the coup against Mr Gorbachev on Monday of last week. It was not until Tuesday that President Bush came out with his bold statement withholding recognition from the new regime, insisting on Mr Gorbachev's reinstatement and supporting the resistance led by Mr Boris Yeltsin. On Monday even he had been a good deal more cautious.

It was, indeed, far from obvious that the coup would fail, at any rate in the short term; and western leaders, however anxious to see democracy ultimately prevail, had a responsibility to preserve as best they could the fruits of the Gorbachev era for their own electorates and for the world at large.

Still, Mr Mitterrand somewhat overdid it. He issued a statement saying that "France attaches great value to the personal safety and freedom" of Mr Gorbachev and Mr Yeltsin, and that "the new Moscow leaders will be judged by their actions, particularly by the way the two high-ranking figures in question are treated". It was, he said, "premature to speak of sanctions". He even read out on television a letter from the head of the junta, Mr Gennady Yanayev, who promised to "stick to democracy and glasnost" and reassured him about Mr Gorbachev's state of health. "I don't say you should take that at face value," Mr Mitterrand told French viewers, "but I inform you of it". The impression given, even if unintentionally, was that he expected the coup to succeed and was already staking out the terms of a *modus vivendi* with its authors.

Long counterattack

Two nights later, the president was back on television explaining that he had always thought the coup would fail. This time he gave the impression that it was all over and that things could comfortably return to the *status quo ante*; and he devoted an inordinate amount of time to counterattacking against French opposition leaders who had criticised the earlier broadcast. "I don't see," he declared, "how we could allow certain leaders, who lack *sang-froid*, to govern France one day".

All too obviously it was Mr Mitterrand himself who had lost his *sang-froid*, in a troubling way that one would have thought untypical of him. Yet the blunder, mild in itself, was symptomatic of a deeper malaise that has affected him ever since the Berlin wall came down two years ago. He has had great difficulty in adjusting to the new order in Europe, and too often has given the impression that he preferred the old one – an attitude which a writer in Le Monde last month tellingly compared to that of Metternich.

Privileged position

It is true that France, like Britain, had a privileged position in the Europe of the Cold War, and perhaps exploited it more imaginatively (if less scrupulously) than Britain did. Secure behind the US nuclear umbrella, France not only struck a magnificent pose of political and military independence but also used Germany's political weakness to ensure its own dominant position in the European Community. So German unification, though it posed no direct threat to France's interests, did imply a relative decline in France's importance.

That was an objective fact which Mr Mitterrand could hardly hope to change. But he could have done much to mitigate it had he reacted with more imagination and more genuine enthusiasm to the collapse of communism, first in central Europe and now in the Soviet Union itself. Instead he has appeared to stumble grudgingly along, always one pace behind events. The sad conclusion drawn by many of his compatriots is that, after 10 years in office, he is overdue for retirement. He is only half way through his second seven-year mandate, but one of his own unredeemed election pledges was to reduce the presidential term to five years. If he were to act on that pledge now (as some say he intends) it would not legally affect his own term. But it would give him a good excuse to bow out gracefully before his once proverbial strategic and tactical powers decline even further.

George Bush is still popular in spite of America's problems, writes **Peter Riddell**

Paradox pervades the body politic

Tony Andrews

Not strong on the 'vision thing', but President Bush's foreign policy successes mean he is on track to win a second term next year

If George Bush is re-elected president of the US in November 1992 – and he is the strong favourite as campaign preparations begin in earnest – it will not be because most Americans are happy with their lot. Many are not. Well over half the American public thinks the US is on "the wrong track" and most disapprove of his handling of the economy and domestic issues.

The US economy has grown by less than a half of 1 per cent in total since he took office in January 1989, by far the worst performance since the Second World War.

Mr Bush should be in political trouble, and could be if the economy weakens again with a double-dip recession. But at present he is not. More than two-thirds of voters approve of the job he is doing – near-record levels for this stage of a presidency – and most would vote for his re-election.

That paradox is at the heart both of the Bush presidency and of the curious state of American politics. At one level there is an obvious explanation. Mr Bush is strongly placed because of his foreign policy successes and the disarray of the Democrats (discussed below). The "Re-elect the Commander-in-Chief" buttons which appeared after the end of the Gulf war sum up that appeal. It is electorally potent.

The latest convulsions in the Soviet Union should reinforce that appeal. Mr Bush has been criticised by some conservatives and others in Congress for linking his policy too closely to the fate of Mr Gorbachev, and of therefore being caught out by last week's events. But even before the failed coup Mr Bush had started to hedge his bets between Mr Gorbachev and Mr Boris Yeltsin. Moreover, the Republicans can argue that the current uncertainties in Moscow underline the need to retain in the White House someone with Mr Bush's vast foreign policy experience – which none of the likely Democrats has.

Mr Bush's political position has parallels with that of Mr John Major. Each took over after the heroic age of the conservative revolution had lost momentum. Each has had to cope with problems created in the earlier era of change. Each is essentially a manager rather than a leader, a consensus-builder rather than a mould-breaker.

George Bush, as he has often joked, is not strong on what he calls "the vision thing". This reflects not only his temperament but also his basic satisfaction with the state of the country. To him, the American dream is working. Not only has the US shown it is number one in the world again as a result of the Gulf victory, but most Americans have a pretty good life.

If there are problems, then in his view the answer lies in action at a state or local level or by voluntary bodies rather than through Washington-led initiatives. Inner-city difficulties should be dealt with through a tough law-and-order policy and self-help.

Mr Bush is, of course, tightly constrained. His main inheritances from the Reagan era were a high federal budget deficit, a widespread reluctance to contemplate any general increase in taxes, and a virtually unshaken public support for welfare-state provision (such as social security retirement benefits and Medicare and Medicaid health programmes).

The unpopularity both within his own party and with the electorate that Mr Bush incurred last autumn as a result of the modest tax increases in the deficit reduction agreement has deterred him from pursuing that path again. And the deficit has continued to grow. That has put a tight check on any new expenditure programmes.

His room for manoeuvre in pursuing Republican goals has also been limited by continuing Democratic control of Congress (strengthened in both the 1988 and 1990 elections) and by his own admitted lack of interest in domestic issues. He has not been able or willing to take a strong lead in pushing a conservative agenda, with the partial exception of his national education programme. His domestic policies have mainly been talk rather than action or money. New initiatives have been either compromises with Congress (last year's far-reaching laws on clear air and immigration) or responses to pressing crises (such as the rescue of the savings and loan industry and parts of the banking reform bill).

The result has been a largely passive Washington on many issues. Much of the new thinking is being done at a state and local level by recently-elected governors such as Republican Pete Wilson in California or Democrat Lawton Chiles in Florida (both former US senators). Faced by soaring deficits and the obligation to balance budgets, they have begun to re-examine the role of government. Both governors are trying to shift from expensive programmes which mainly react to crime or high levels of ill-health towards a greater emphasis on prevention, whether by developing non-custodial treatment to discourage persistent drug offenders or in the promotion of pre-natal care to reduce infant mortality and ill-health.

To Mr Bush's critics, his economic and domestic policies fail to address the seriousness of the problems facing the country. To them, the US is clearly in relative decline, however much a US president may still be able to exercise political and military power internationally. To some extent the rapid decline of Soviet power has artificially inflated the standing of the US and disguised the erosion of its economic position relative to Japan and the European Community. Even when the US did exercise its muscle during the Gulf war, much was owed to a remarkable exercise in fund-raising – known euphemistically as burden-sharing – in which the Gulf states, Japan and Germany financed well over 80 per cent of US costs.

An activist foreign policy has masked a weakening economic base, not just the chronic problem of the budget deficit (which everyone is willing to defer until after next year's elections) but also a lack of competitiveness. A recent Department of Labour report noted that more than half of US school leavers lack the knowledge required to find and hold a good job. This is matched by growing public concern over inadequacies of health provision (with 35m not covered by insurance and many millions of others only partially covered) and dangerous social and racial divisions in many inner cities.

While these worries account for the unease of many Americans about their future, the country remains remarkably resilient. The characteristic American "can-do" spirit – and sense of limitless possibilities – has been undimmed by the recession. There is none of the gloom-and-doom mood of the kind in which British business seems to wallow.

One reason is the decentralised federal structure. Whatever may be the mood in Washington, there is a different experience and viewpoint in, say, Los Angeles, or Chicago or Houston or Seattle. They are all competing economic, political and cultural centres. Part of that reflects the vitality produced by successive waves of migrants. Just as Irish and European Jews made New York such a vibrant city in the first half of this century, so a massive inflow of Asians and Hispanics is changing the face of California now, offering the prospect of further growth and diversity.

Mr Bush prefers the brighter picture, brushing aside underlying economic weaknesses and ignoring much that is wrong with the US – the violence and racial divisions – even exploiting them in his campaigns. There are no urgent economic or political pressures to adopt a more activist, and electorally uncertain, domestic strategy. Mr Bush does not need to take such risks to win a second term.

No messenger, or message

"Right now, the Democrats do not have an agenda for America." This admission came not from the Republican White House but from Governor Mario Cuomo of New York, writes Peter Riddell.

The Democrats' political problems extend much further than the shortage of declared candidates – only former Massachusetts Senator Paul Tsongas is formally running at present. The party lacks an agreed strategy, or even an agreed view of why it has lost five out of the last six presidential elections.

The party remains highly successful at a state and congressional level – strengthening its hold on both the Senate and House since the mid-1980s. Voters view the role of Congress differently from that of the president. They are content with divided government – electing Democrats to Congress to protect their economic and social interests but returning Republicans to the White House to be the commander-in-chief and to safeguard the country's national security.

There are two broad views of why voters have rejected Democrats for the White House. Mr Ronald Brownstein, a political commentator for the Los Angeles Times, has defined two groups – traditionalists, such as Governor Cuomo, Senator Tom Harkin of Iowa and the Reverend Jesse Jackson, and revisionists, such as Governor Bill Clinton of Arkansas, Governor Douglas Wilder of Virginia and former Senator Tsongas. They are all possible candidates and Senator Harkin and Governor Clinton are likely to declare formally next month.

The traditionalists have strong ties to the party's base in labour unions, the black civil rights movement and among women's, peace and environmental activists. Their broadly liberal message is that the Republicans have succeeded by emphasising distractions such as racial quotas, law and order and symbols of patriotism. What the Democrats should do is to return to their traditional message of protecting ordinary working Americans through an activist government and redistributive policies.

This class-based populist appeal is matched by a rejection of the internationalism of Democratic presidents from Mr Franklin Roosevelt to Mr Lyndon Johnson. Instead, this group of Democrats has both favoured protectionism (for instance, opposing the Mexico free-trade agreement) and strongly opposed Mr Bush's decision to start the Gulf war. In a reversal of the conservatives' pre-war isolationism, the Bush Republicans are now the leading internationalists.

The revisionists, centred around the Democratic Leadership Council and governors and congressmen from the south and west, argue that the party has lost touch with its core supporters, notably white working people. They say that post-war affluence succeeded in creating a group which by the 1970s regarded the Democrats as the party of wasteful high spending and high taxation which would not defend America's national interests.

On this view, the Democrats need to abandon a class-warfare and anti-business approach. Instead, government should work to promote both personal responsibility (for example, via greater parental choice in schools and tenant management of public housing) and industrial competitiveness. These ideas, plus an acceptance of an active international role for the US, challenge liberal interest groups and are regarded by them as a pale imitation of Republican policies.

Within these broad differences, there is, however, agreement that there is a potential pool of support among the many Americans whose living standards have been stagnant for the past few years and who are worried about rising costs of health care, housing and college education.

These people are at present just frustrated, and not necessarily yet willing to jettison the popular Mr Bush. The Democrats need not only a convincing messenger but also a clear message.

OBSERVER

Odd choice by Salomon

■ It says something about the weakness of the Salomon Brothers board that the group has had to look overseas for a reputable name to chair its new standing compliance committee. Britain's Lord Young, former cabinet minister now chairman of a major international public company, is hardly the obvious choice.

His big advantage is his detachment from Wall Street. He should not be carrying any of the prejudices and assumptions which might colour other people's judgment. His weakness is that he has never been known for his attention to detail. He is much more a big picture man.

As Margaret Thatcher used to say: while her other Cabinet ministers brought her problems, David Young brought her solutions. Although he will only be chairing the committee's meetings, the obligations of the new job are onerous and come at a time when he is also supervising a major revamp of the Cable and Wireless management. Can he do justice to both tasks?

Whose boom?

■ With economists crossing their fingers that Japan's current economic expansion will go on to break the post-war record set in the 1960s, a row is raging over what the boom should be called.

Its predecessors have been named in honour of figures from history and mythology such as Izanagi, the Shinto god identified with the previous boom whose 57-month run has just been equalled by the present one.

Some pundits want it called Heisei after the current Heisei era under Emperor Akihito. But that suggestion has been criticised as inappropriate because the boom began in 1986, during the Showa era under late Emperor Hirohito.

Other proposers suggest names that break with tradition. One is Bubble Boom which, since it refers to the growth-fuelling stock-market and real-estate bubbles that have now burst, will surely be rejected as a bad omen.

A second, Fuzzy, is mooted by the newspaper Asahi Shimbun which says the current boom has had only a fuzzy effect because the average person has not grown substantially richer or happier.

A compromise proposal is Himiko. Traditional in being the name of a historic queen and prophetess, it's also modern in marking Japanese women's contribution to the growth. If chosen, Himiko will be the first female name used.

Infuriated

■ A more urgent concern of Japanese feminists, however, is to whip up protest against a card-game produced by the Takara toy company. In the game, called "human trash", players compete to make money by selling women.

Infuriated, Japanese women's groups have complained to the United Nations anti-discrimination committee. Meanwhile, Takara has denied that the game is intended to demean women. A PR spokesman said the title "human trash" referred to "men who do such things."

Mixed blessing

■ Labour party leader Neil Kinnock may find comfort in the latest New Statesman where a survey shows Britain's union bosses love him far less than John Smith or Gordon Brown. Further proof he is not in the unions' pocket?

Then again, even he might have preferred to be rated higher than old Frank Dobson.

"If there's anyone listening, I'm from the Ministry and you're fired!"

The 38 union chiefs who answered the NS questionnaire are still harder on their own ilk. Only right-wing Roy Grantham is worse rated than Norman Willis, head of Britain's TUC, and the media's union stars Bill Jordan and John Edmonds rank well below the likes of Rodney Bickerstaffe, Bill Morris and Jimmy Knapp.

The University Teachers' Diana Warwick, one of many who refused to answer, found the survey "tasteless and objectionable ...the kind of mischievous exercise that gets questionnaires a bad name".

Perhaps – but it helps to make the NS an enjoyable read.

Question time

■ The Swedes have high hopes of new Soviet foreign minister Boris Pankin. Will he now answer the questions he dodged when Soviet ambassador to Stockholm between 1982 and last year?

Top of the list is what Soviet submarines were doing in Swedish waters during the 1980s. Pankin denied they existed. Others range from the fate of Raoul Wallenberg, the diplomat captured by the KGB after rescuing Hungarian Jews in 1945, to the whereabouts of Stig Berling, a Swedish George Blake.

Despite his evasiveness, however, Pankin was popular in Stockholm. An ex-editor of Komsomolskaya Pravda, he became good friends with the late Prime Minister Olof Palme. That may be partly why last year's Palme Peace Prize went to Marshal Sergei Akhromeyev, the Gorbachev military adviser who killed himself after the failed coup.

While Pankin's star is rising, that of his successor in Stockholm, Nikolai Uspensky, may be heading in the opposite direction. In contrast to Pankin's strong words from Prague immediately condemning the coup, Uspensky was parroting the putschist line.

Raisa regrets

■ Much diplomatic flurry has gone into fixing John Major's meetings with Boris Yeltsin and Mikhail Gorbachev on Sunday, when the UK prime minister pauses between Kennebunkport and Beijing for a nine-hour stop in Moscow. The most frantic telexing, however, has been about Norma Major's programme meanwhile.

What to do with her has been taxing the brainpower and diplomatic skills of Sir Rodric Braithwaite, our man in Moscow, for days.

The perfect solution seemed to be a meeting with Raisa Gorbachev. But he has just had note that she remains unwell and regrets she will not, after all, be in a position to strengthen Anglo-Soviet ties with Mrs Major.

Short order

■ What do you say to an Oxford history graduate?

"Big Mac and fries please."

Eastern danger zone

Juliet Sychrava and **Clive Cookson** on the opportunities for the west created by unsafe east European nuclear power plants

"It is ten times more dangerous than Chernobyl – it is the most dangerous reactor in Europe, maybe the world." Mr Lutchezar Poshev, a board member of the Bulgarian environmental group Ecoglasnost, is describing Kozloduy, the nuclear power station in north-west Bulgaria condemned by the International Atomic Energy Authority (IAEA) in June.

Since then the world's nuclear industry has been mesmerised not only by the possibility of a disaster at Kozloduy but also by the opportunity it represents – first to win orders to make eastern Europe's Soviet-designed reactors safe and then, tantalisingly, to replace them with new western reactors.

Kozloduy is one of eight large power stations designed by the Soviet Union for its former satellite states. The others – operating or under construction in Czechoslovakia, Hungary, Poland and east Germany – are less dangerous than Kozloduy, but none meets western safety standards.

The European Community decided in June to give Bulgaria Ecu 11.5m (£8m) for emergency measures at Kozloduy and another Ecu 50m is expected for reactor safety in eastern Europe next year. But modernising Kozloduy fully could cost $1bn (£500m) over several years, according to Bulgarian estimates.

It is this, and the alternative solution of replacing Kozloduy with a new nuclear station, that has drawn western Europe's nuclear utilities to Kozloduy. "What we are seeing is the nuclear industry in a feeding frenzy. This is the first bit of pork to fall into the water from the European Community," says an independent nuclear consultant working for NNC, the UK's nuclear design and engineering company.

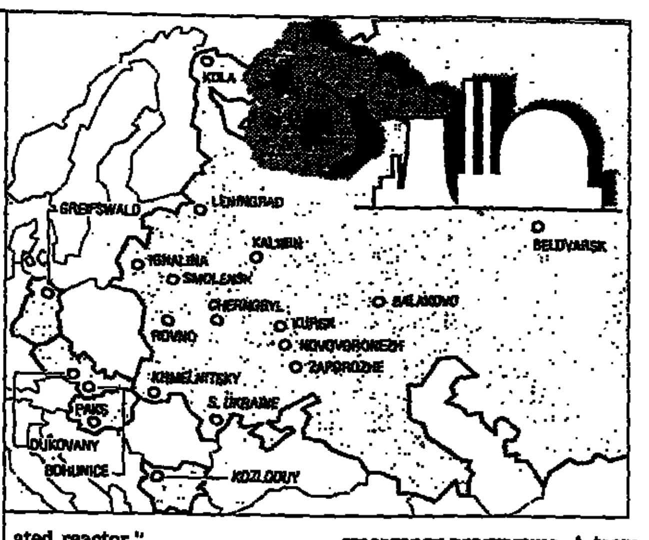
Lord Marshall, chairman of WANO, the World Association of Nuclear Operators, which monitors Kozloduy and is in liaison with the EC planning its rehabilitation, estimates that a five-year programme to make Kozloduy acceptable could cost several hundred million dollars. The EC, he believes, intends to foot the bill, though the Commission says no decision has been taken.

The nuclear industry, while pressing the EC to pay, has not waited for a decision before proposing commercial solutions to Bulgaria's problem. Western utilities and nuclear manufacturers are said to have offered to pay for extensive safety work at Kozloduy, if the Bulgarian government agrees to buy a new plant which would then produce surplus electricity to sell elsewhere in Europe.

Reactors in service in the Comecon region

	Type	Model	Unit size MW (gross)	Year of first commercial use
BULGARIA				
Kozloduy 1–2	PWR	V230	2 x 440	1974, 75
Kozloduy 3–4	PWR	V230	2 x 440	1981, 82
Kozloduy 5	PWR		1000	1988
CZECHOSLOVAKIA				
Bohunice 1, 2	PWR	V230	2 x 413	1979, 81
Bohunice 3, 4	PWR	V213	2 x 440	1985, 86
Dukovany 1–4	PWR	V213	4 x 432	1985, 86, 87, 87
EAST GERMANY				
Greifswald 1–4	PWR	V230	4 x 440	1974, 75, 78, 79
Greifswald 5	PWR	V213	440	(shut down in 1990)
HUNGARY				
Paks 1–4	PWR	V213	4 x 440	1983, 84, 86, 87
USSR				
Balakovo 1–3	PWR	V230	3 x 1000	1986, 88, 89
Beloyarsk 3	FBR	BN600	600	1981
Chernobyl 1–3	RBMK		3 x 1000	1978, 79, 82
Ignalina 1, 2	RBMK		2 x 1500	1985
Kalinin 1, 2	PWR	V338	2 x 1000	1985, 87
Khmelnitski 1	PWR	V320	1000	1988
Kola 1–2	PWR	V230	2 x 440	1973, 75
Kola 3–4	PWR	V213	2 x 440	1982, 84
Kursk 1–4	RBMK		4 x 1000	1977, 79, 84, 86
Leningrad 1–4	RBMK		4 x 1000	1974, 76, 80, 81
Novovoronezh 3, 4	PWR	V179	2 x 417	1972, 73
Novovoronezh 5	PWR	V187	1000	1981
Rovno 1, 2	PWR	V213	2 x 440	1981, 82
Rovno 3	PWR	V320	1000	1987
Smolensk 1, 2	RBMK		2 x 1000	1983, 85
Smolensk 3	RBMK		1000	1990
South Ukraine 1, 2	PWR	V302	2 x 1000	1983, 85
South Ukraine 3	PWR	V320	1000	1989
Zaporozhe 1–5	PWR	V320	4 x 1000	1985, 85, 87, 88, 89

Source: Nuclear Engineering International



It is unlikely that Bulgaria will take this up. It is short of hard cash and faces an active anti-nuclear lobby which last year stymied plans for a second nuclear plant at Belene near the Romanian border. But Hungary and Czechoslovakia are negotiating to buy new nuclear reactors from the west.

Anti-nuclear campaigners accuse the industry of wanting to keep dangerous plants running in a desperate effort to replenish their order books. But the environmental argument can be played both ways – dirty coal-burning power stations are eastern Europe's main alternative to nuclear energy, unless hard currency can be found to buy gas from the Soviet Union.

Concerns about Soviet-designed reactors in eastern Europe intensified last year with the controversial German decision to close down nuclear plants at Greifswald and Stendal in eastern Germany, on the grounds that they were dangerous and could not be economically rehabilitated. "We didn't want to have anything to do with the old and unsafe reactors of the former Communists," said Mr Manfred Petroll of the German Atomic Forum.

Anxiety mounted after the IAEA inspection of Kozloduy in June by 15 nuclear experts. According to the official statement they "found the plant in very poor condition" and "urged the Bulgarian government to take immediate measures" to improve safety. It is understood that the concerns included the brittle state of the reactor vessel as a result of radiation, faults in the system for containing radiation leaks, and lack of trained staff. These problems have already led to a number of minor accidents.

But opinions differ on whether the Soviet V230 design of pressurised water reactor (PWR), of which Kozloduy is an example, is intrinsically dangerous. "These are carthorse reactors and very forgiving of operator error," says Mr David Kyd of the IAEA. "They are not unstable like the Chernobyl type of graphite-moderated reactor."

Apart from Bulgaria, Czechoslovakia has two V230 reactors and the Soviet Union has 10. Other PWRs in Czechoslovakia and Hungary are of the more modern and safer V213 design. The Soviets also have 16 Chernobyl-type RBMK reactors, which were not exported; extensive modifications after the 1986 disaster have satisfied some of the western concerns about their safety.

Deciding what to do about Kozloduy is complicated by the fact that it provides almost 40 per cent of Bulgaria's electricity. "They are very short of electricity," says Lord Marshall. "Last winter everyone was switched off for one hour in four and the new government is worried about rationing electricity through another winter."

There is no consensus in the west about what should happen to Kozloduy. At a meeting last month at IAEA headquarters in Vienna to discuss aid to Bulgaria, German representatives led by environment minister Mr Klaus Töpfer demanded an immediate shutdown, but their French and British counterparts thought that was this an overreaction.

The short-term compromise is to shut down the oldest pair of reactors for maintenance as soon as possible – and certainly before the end of the year – and to carry out a safety overhaul of the whole plant. This is now being done under the auspices of the EC's emergency programme. A team of six western nuclear engineers flew to Bulgaria last week to initiate a six-month plan to achieve industrial safety at the plant.

The six-month plan will be followed by a second stage, aimed at setting up a monitoring system for the plant – there is no independent regulatory body in Bulgaria. Finally, there will be a study of alternatives for Bulgaria's electricity supply, to give the country the option of closing Kozloduy.

Western contractors are already offering the Bulgarians nuclear solutions to their long-term energy problems with an alacrity that has caused some bitterness in environmental circles. A new alliance formed by EDF of France and Siemens, the German engineering group, is likely to be in the strongest commercial position.

Westinghouse of the US is said to be interested in building new nuclear plant in Bulgaria. While it has not acknowledged such plans, it says it is working on schemes to carry out safety evaluations, to train reactor operators, and to handle low-level nuclear waste at Kozloduy.

This last is a serious problem for Bulgaria, which until now has sent waste back to the Soviet Union for reprocessing, while accumulating liquid and acidic waste on site at Kozloduy. This is not a viable long-term solution for Bulgaria, nor for the rest of eastern Europe.

"The 'Sellafield' problem is huge for the whole of eastern Europe," explains Mr Dieter Helm of the energy consultancy Oxford Economic Research Associates. "When the Czechs built their reactors they had a deal that the Soviets would take the waste back for reprocessing. Now they are sitting on a great pile of waste they can't dispose of."

But waste aside, few of the eastern European states face a nuclear problem on the same scale as Kozloduy. Czechoslovak reactors designed in the Soviet Union but engineered locally by Skoda are proving more reliable than Kozloduy. The Czechoslovak government has rejected Austrian demands to shut down the two V213 reactors at Jaslovske Bohunice, though it has agreed to give them an extensive overhaul in 1993.

At the same time Czechoslovakia is negotiating with western companies to build new nuclear plants. The design most likely to be adopted is a 1400MW PWR based on the "harmonised" European reactor manufactured by Siemens with Framatome, the French nuclear engineering company.

Meanwhile, Hungary is deciding whether to expand nuclear capacity or build more coal-fired power stations. Its four existing V213 reactors built at Paks during the 1980s are operating remarkably well.

If Hungary opts for nuclear power, another Franco-German partnership is expected to win a $3.5bn contract to build two more PWRs at Paks. EDF and PreussenElektra, the German utility, plan to sell at least half the electricity from the planned reactors to Austria and Italy.

Romania is persevering with a long-standing project to build five Canadian-designed Candu reactors at Cernavoda. But Poland has abandoned plans to build its first nuclear plant, in the face of opposition from anti-nuclear campaigners.

The German nuclear industry, which has had no orders for new plants since 1982, wants to build PWRs at Greifswald and Stendal to replace the abandoned Soviet-designed reactors. But this is unlikely to happen while anti-nuclear campaigners retain their influence on German politics. So Siemens is looking beyond eastern Germany to countries that cannot afford simply to switch off their Soviet-designed reactors.

Eastern Europe has neither the funds nor the technology to build and run its own reactors. If it is to make nuclear electricity publicly acceptable at home and overseas, it cannot escape replacing Soviet nuclear colonisation with western influence.

LOMBARD

Terminal technology

By Charles Leadbeater

It is close to two hours of near non-stop violence and every director of a high-technology company should see it. For Terminator 2, the Arnold Schwarzenegger film which opened in Britain last week and which is set to be one of the most popular films of the year, is all about them and their technology.

What should most concern high-tech executives is that Terminator 2 is a very pessimistic parable. The film opens in the future, with a war between humans and sophisticated machines, fighting on a landscape made barren by the nuclear war of 1997. It was triggered by a semiconductor so sophisticated that it could not be controlled by its human makers. The plot pits two terminators – killing machines – from the future into battle in the present, one trying to kill, the other defend, the future resistance leader.

In the course of their struggle, three messages about technology emerge.

● First, in the wake of the end of the cold war Hollywood is searching for new villains. Large companies fit the bill quite nicely. It is no longer communist commissars who threaten humanity, but technology.

In Terminator 2 the cause of nuclear war is not rampant communism but the technology produced by Cybernet – a sort of cross between IBM and General Dynamics. The offending chip was dreamed up by a likeable computer programmer, a very clever man in the street, not an evil genius.

● Second, Terminator 2 offers a commentary on how troubled we may become about our dependence upon technology. In the fairy-tale space adventure Star Wars, humans, largely unchanged and recognisable as people like us, lived in a high-tech future. They confidently used complicated technology but they remained distinctively and recognisably human.

In Terminator 2 machines are threatening precisely because the line between man and machine is blurred. Thus the evil terminator – not Schwarzenegger – has a liquid metal body that allows him to take on any human form. He is not an old-fashioned robot, an attempt mechanically to replicate life. No, this liquid metal man exists in an exotic world somewhere between the mechanical, biological and electronic.

This disturbs because it plays on powerful current concerns. We are increasingly dependent on technology, not merely as a tool at work. The rhythm of our lives is set by the bleeps and wiring of videos and microwaves, portable telephones and lap-top computers. More than that, technology is becoming woven into our bodies – from artificial joints to genetic engineering which can allow us to manipulate fundamental components of life itself. Terminator 2 plays upon our worries that the line between human and technological is becoming fuzzy.

● Third, the film is deeply pessimistic about our ability to control technology. In one sense it is a celebration of the very latest technology available to film makers. The makers of Terminator 2 bring us breath-taking special effects.

However, in large part it is a display of old and rather inefficient technology such as motorcycles, trucks and above all, very big guns. The finale revolves around one of the oldest industrial technologies – the making of steel. The raw power of old-fashioned steelmaking consumes the sophisticated new technology of the terminator.

The film's message is not that we should be more intelligent about using machines. It is that brute power is the only sure way to control sophisticated technology.

The message for the executives is not encouraging. The logic of Terminator 2 is that they are the ultimate source of a threat to the world which can only be eliminated if they (a) kill themselves while also blowing up their work (the fate of the good-natured computer programmer) or (b) follow the terminator by jumping into a vat of molten steel. Hasta la vista, as Arnie would say.

LETTERS

Pension fund trustees should be held accountable

From Mr Nathan Gelber

Sir, John Plender's article (A lesson for fund managers, August 27) should perhaps be titled 'A lesson for the trustees' as most of the problems he identifies fall into the realm of pension fund trustees or the investment committees appointed by them.

In practice, fund managers are rarely vested with full discretion for the allocation of equities to overseas markets.

Usually, the trustees or their investment committees take this decision either implicitly, by stipulating a benchmark against which the fund manager will be measured or, less frequently, explicitly by providing investment guidelines which determine the overseas allocation. In other words, it is the trustees who ought to be questioned as to how they discharge their duties and which input they use in this context.

Clearly, there is the need for a process by which trustees should be held accountable for their investment decisions.

Furthermore, trustees should focus more intensely on the question of selecting an appropriate resource to manage the overseas portion of the fund. We found that the information and agency problems, which represent a major handicap for UK-based fund managers when investing in overseas markets, can be mitigated by delegating the fund management responsibility to regional specialists located in the respective equity markets.

Our evidence suggests that the investment performance achieved by carefully selected regional specialists is consistently superior to the results generated by the UK-based peer group.

I fail to understand why the majority of trustees does not pursue this alternative route. Neither an internal fund manager nor a UK-based investment house is likely to be forthcoming with such a recommendation because it conflicts with their interests and traditional advisers rarely have the know-how to assist their clients in this particular area.

Nathan Gelber,
chairman,
Stamford Associates (UK),
St Katharine's Way,
London E1

It's time to move into line with Europe on public holidays

From Mr Russell Sparks

Sir, So the National Economic Development Council thinks we need additional bank holidays such as a Harvest Bank Holiday in October ("Easter in a fix as tradition takes a holiday", August 27).

The NEDC suggests that this will bring the UK, with eight public holidays, more in line with continental Europe, where it is normal to have 10 days or more.

Anyone who has frequent contact with Europe knows that there is a simpler and more efficient solution – to bring our existing British public holidays into line with the Continent.

The Europeans are our major trading partners. At a time when the country needs as much export business as possible, does it really make sense for us to be open when they are closed, as happened twice in May and more recently on August 15, and then take a holiday on our own shortly after, as we did this Monday?

This would also overcome the problems that the NEDC proposal would face with churches – most European holidays are ancient religious festivals such as the Ascension on May 9 and the Assumption on August 15.

Russell Sparks,
16 Coval Road,
London SW14

Importance of rouble convertibility and helping the Soviet people to help themselves

From Mr R A Ledingham

Sir, One of the causes of the current fall in Soviet output must be the collapse of a large proportion of its international trade.

That collapse has been mirrored in many of the former member states of the Council for Mutual Economic Assistance (Comecon), most of which are finding that exports cannot immediately be redirected to hard currency markets, now including former Comecon partners.

There is now the prospect of similar deterioration in inter-republic trade, which will have a further adverse effect on the output of all the current Soviet republics.

It must be worth considering attempts to avert or at least to reduce such further economic strain.

Soviet President Mikhail Gorbachev's objective of rouble convertibility should be seen as a high priority, if the west wishes to minimise the aid which may ultimately be required.

There does not seem to be a credible Soviet or Russian plan to achieve stable convertibility and any such plan would have to be very restrictive to avoid an immediate import surge. It is, however, an area where the west could achieve relatively fast results at a relatively low cost.

As part of any aid, the west could offer a quota of rouble conversion for hard currency (perhaps for restricted use) to the ex-Comecon countries, including the former East Germany. Such action would rekindle some trade between traditional markets, while an infrastructure can be developed to trade in new markets.

The roubles received by the west could be blended, perhaps at a subsidised rate, with hard currency for private investment in rouble-based economies.

Such a circle would create much more wealth than a simple aid payment of the amount of any subsidy.

A scheme of this type could be introduced speedily. It could be initiated on a small scale to check its viability and to provide at least some hope of eventually meeting one sensible economic objective.

R A Ledingham,
Rose View,
Hethe,
Oxon.

From Mr Michael Davies

Sir, There has been nothing wrong with your editorials over the last week about the Soviet Union, but where is the passion that inspired 'The Polish Challenge' (August 31 1989)?

In that remarkable article you argued that the Mazowiecki government should not be allowed to fail or "... worst, the hope of a peaceful transition from the communist cul-de-sac would be revealed as an illusion".

That government was allowed to fail, at least partly because the other peoples of eastern Europe did not wait to see if it could succeed before voting with their feet.

Capitalism *must* now be made to work in the Soviet Union and all its former satellites. It is obviously going to take time for a structural adjustment plan to be worked out and in the meantime I have a suggestion to make which I hope more powerful voices than mine will take up.

I believe a capitalist version of the Anglo-Soviet Friendship Society could play a valuable role by focusing ideas and offers of help.

If it got off the ground, the committee would doubtless attract attention from the Russian media and give people there real hope that there are real people in Britain who want to help them to help themselves.

'The Polish Challenge' commemorated the 50th anniversary of the outbreak of the second world war and we are now remembering the start of the Arctic convoys on which our sailors gave their lives to help defend the Soviet people from Hitler.

All we are required to sacrifice is money, time and ingenuity to save them from the legacy of Stalin. Let's get to it!

Michael Davies,
15, Douglas Avenue,
Exmouth,
Devon.

Fax service

LETTERS may be faxed on 071-873 5938. They should be clearly typed and not hand-written. Please set fax machine for fine resolution.

FINANCIAL TIMES
Friday August 30 1991

Former stockbroking executives reveal little new information on financial scandals

Japanese financiers apologise to Diet

By Stefan Wagstyl in Tokyo

THE FORMER top executive of Nomura Securities, the world's largest stockbroker, yesterday gave Japanese MPs a gripping account of how his group paid stock-loss compensation to favoured clients and dealt with a gangster group.

Mr Setsuya Tabuchi, Nomura's former chairman, and Mr Takuya Iwasaki, former president of Nikko Securities, another of the country's Big Four broking houses, apologised for their groups' involvement in financial scandals but disclosed little new information in their appearances before a special committee of the Diet – Japan's parliament – televised live.

Mr Tabuchi described how Nomura decided on the payment of Y16bn ($116.8m) in compensation following the plunge in the Japanese stock market last year. The group had paid compensation in previous years but knew the Finance Ministry was becoming increasingly hostile to the practice. However, faced with appeals from many branch managers, top executives headed by Mr Yoshihisa Tabuchi, the then president and no relation, "reluctantly" agreed.

Mr Tabuchi explained how Nomura came to deal with Mr Susumu Ishii, a well-known gangster chief. He said Mr Ishii was introduced to a Nomura executive by a *sokaiya* – a professional extortionist specialising in disrupting company affairs.

The sokaiya arranged for a meeting between Mr Ishii and a general manager at Nomura's head office. However, the general manager was not told who Mr Ishii was, Mr Tabuchi claimed.

Asked to disclose the name of the *sokaiya*, Mr Tabuchi felt confident enough to joke: "I remembered until yesterday. But today I've forgotten," he said.

Mr Tabuchi admitted Mr Ishii borrowed from the Nomura group to buy large amounts of stock in Tokyu Corporation, a railway company. He denied allegations that Nomura had subsequently manipulated the market to push up the Tokyu stock price. He expressed regret that Nomura bought "excessive" amounts of Tokyu stock after Mr Ishii acquired his stake.

Mr Tabuchi also admitted that following a plunge in the Tokyu share price, Nomura's Y16bn loans to Mr Ishii were no longer fully covered by collateral.

There was a shortfall of Y3.675bn, he agreed with a questioner. Nomura was trying to recover the money from Mr Ishii who was paying interest, said Mr Tabuchi.

The securities executives' testimonies were due to be followed today by appearances by three top bankers – the presidents of Industrial Bank of Japan, Fuji Bank and Sumitomo Bank – about their banks' involvement in illegal loan schemes.

Boom times catch up, Page 4

EC envoy says Yugoslav army is backing Serbs

By Laura Silber in Belgrade and **Robert Mauthner** in Paris

ALLEGATIONS that Yugoslavia's federal army had attacked Croatian villages were confirmed yesteday by a senior western diplomat.

Mr Henri Wijnaendts, the Dutch ambassador to France and the European Community's special envoy in Yugoslavia, said his team of EC monitors had gathered conclusive evidence on the role of the federal army in the conflict between Serbs and Croats in the republic of Croatia.

More than 250 people have died in fighting in Croatia since the declaration of independence on June 25 by Croatia and Slovenia.

Speaking at a press conference in Zagreb, the capital of Croatia, following a two-day trip to Slavonia – the scene of heavy fighting in the east of the republic, Mr Wijnaendts said: "The level of violence – which has included bombs, rockets, heavy artillery and aerial attacks – leaves no doubt that there has been involvement by the Yugoslav army."

"We were dismayed by the level of violence we saw." Mr Wijnaendts also rejected claims by the Serbian-dominated federal army that it had intervened only to separate Croats and Serbs.

The diplomat's statements contradicted denials by the federal army that it is supporting Serb militants in their bid to carve a Greater Serbia out of Croatia.

He said Europe must act to help resolve the conflict but only the Yugoslavs themselves could stop the killing in Croatia.

"We cannot continue to stand idly by. That is my message. It's war here.

"If there is one conclusion [from my visit] it is that a ceasefire will not be effective unless there is an impartial foreign presence," Mr Wijnaendts said after meeting Mr Franjo Tudjman, the president of Croatia.

Croatia and the neighbouring breakaway republic of Slovenia have backed a new Community plan for a peace conference, EC arbitration and EC observers to patrol Croatia's conflict zones, he said.

In Paris, Mr Slobodan Milosevic, the Serbian president, said yesterday that Serbia would "study" the arbitration proposals made by the European Community to prevent an extension of the civil war in Yugoslavia. He rejected any responsibility for the continuation of the fighting.

Mr Milosevic said he was "very satisfied" with an hour-long meeting yesterday with French president François Mitterrand.

Mr Milosevic blamed the continued unrest and fighting in Yugoslavia on the Croats. A ceasefire would take effect only when the Croatian authorities put a halt to their policy of "state terror" against the Serbian population and towns in Croatia, he added.

Croatian mothers call yesterday for the release of their sons from the Yugoslav army

THE LEX COLUMN

Ladbroke adds up the room bill

Perhaps it was because its rights issue had been so widely leaked that Ladbroke's shares rose by 2 per cent when the news became official. There is scant justification for the gain in the 37 per cent fall in interim earnings per share. Indeed, protestations that the rights issue is timed to finance hotel expansion look hollow when set against the more urgent task of supporting the struggling property division. Stripping away Ladbroke's £830m of intangible assets also leaves gearing under greater pressure than the company admits.

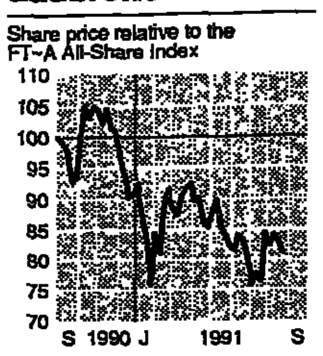
In that sense, the rights call, like that of P&O last week, is more a statement of the persistence of the downturn than of recovery potential. Doubtless Ladbroke will not be the last company to take advantage of market firmness, but its opportunism is also a reflection of the sudden return to fashion of leisure stocks.

The sector as a whole has outperformed the market by nearly 8 per cent since its relative nadir in late July, but it is difficult to see why the Ladbroke rerating should go much further. The hotel division has recovered from the worst of the damage wrought by the Gulf war, but the interim results are inflated by an unexpected £25.6m profit from the sale of one UK hotel. Property profits are dependent on the uncertain prospect for disposals, and there is little scope left for capitalising interest.

FT-SE Index: 2,638.2 (+14.0)

Ladbroke

Share price relative to the FT-A All-Share Index



Source: Datastream

GRE

Insurance bulls are in the mood to charge. But yesterday's market reaction to lower than expected first-half losses from Guardian Royal Exchange looks a touch premature. Investors should be wary of reading too much into the seemingly much improved second-quarter result, which not only enjoyed the usual seasonal bias in its favour, but was flattered by the decision to lob all reinsurance premiums into the first three months.

The figures certainly confirm that the composites are peering round the corner at a period of renewed profitability: but there was little yesterday to raise hopes that the journey will be other than a long, hard slog.

That said, the new management has already gone some way to counter those critics who see GRE as the Cinderella of the sector. The company has cut its expenses ratio by a full 2 percentage points, has reined back the bloated motor account and, like Commercial Union, has largely avoided the insurance industry's latest financial black hole; its prediction that industry losses on mortgage guarantees could top £1bn this year makes even Eagle Star's shocking provisions last week look optimistic, and seems nicely calculated to leave rivals squirming in discomfort.

GRE's own shares, though, will require the 8 per cent yield prop until there is firmer evidence that dividends can resume an upward path.

German chemicals

Time for some corporate glasnost. Even by German standards, BASF's interim figures were bewildering, though the broad picture of a group struggling to defy a vicious squeeze on margins is pretty clear. Given that profits were down by a quarter in the first three months, BASF turned in a curiously strong second quarter to leave its pre-tax interim profits a mere 10.6 per cent below 1990.

The explanation lies partly in a strong performance from its Wintershall oil and gas subsidiary, and perhaps in the benefit of unexpectedly thorough cost cutting. But one is left struggling to make sense of the reported figures. It comes as no surprise to learn that BASF is still self-righteously fighting the tough accounting requirements of a US stock exchange listing.

Hoechst's profits over the same period were 22 per cent lower, with the bulk of the bad news coming in a dire second quarter. That Bayer's interim profits fell by just 3 per cent was a reminder that its mix of businesses, specifically the strength of its healthcare division, makes it the pick of the three.

As for the industry as a whole, the first half has clearly not been as bad as was feared late last year. The problem is the dull outlook. European companies face continued overcapacity and a confusing demand pattern for plastics and fibres, offset by lower feedstock costs and the stronger dollar. The German giants look well set for the longer term, but it seems a little early to argue that the market should start discounting an upturn in the industry cycle.

Williams Holdings

Anyone looking for a lesson in how to manage through therecession should cast an eye over Williams Holdings. Its philosophy of eschewing debt, carefully controlling costs and buying loosely-managed companies on the cheap was amply reflected in yesterday's first-half results. These revealed an astonishing gain in margins that lifted pre-tax profits by 26 per cent to £76.5m in the face of stagnating sales.

Admittedly, part of the increase was due to a first time contribution from Yale and Valor. Assuming it can work its margin magic on this business too, Williams' record of healthy profit increases looks set to continue, even without the cyclical recovery effect.

The catch is that the improvement above the line will not be matched by a corresponding increase in earnings per share because the acquisition was financed with equity. A greater problem may be a shortage of suitable acquisition targets.

Williams is already concentrating its search in the US, but this could eventually produce excessive overseas earnings and a charge for unredeemable ACT. That, however, is still a long way down the road. For the time being, there is still enough prospect of organic growth to justify the share price of 345p and a multiple slightly above the market average.

W.H. Smith

Yesterday's full-year results from W.H. Smith were largely discounted. Since the rights issue and profit forecast in May, the shares have outperformed by 17 per cent. The £11.2m pension fund contribution to profits was expected, but it stood out all the same, as did the near 9 per cent dividend increase. As a demonstration of confidence in resurgent consumer spending, the payout looks a little forced.

OECD finds UK skills shortages

By Peter Marsh, Economics Staff

BRITAIN needs to tackle skills shortages throughout the economy if it is to gain the maximum benefits from membership of the European exchange rate mechanism, according to a study released today by the Organisation for Economic Co-operation and Development.

In its annual report on the UK, the 24-nation body says that Britain's entry into the ERM last October provided a "powerful force" to achieve low inflation and put the economy on a sound footing for the 1990s.

But management skills in Britain "have been slow to adapt to a more competitive world environment", and the proportion of teenagers who leave school without formal qualifications is "extraordinarily high".

Like several other recent surveys of the UK economy, the OECD report foresees a modest recovery from the recession later this year, with more sustained growth in 1992. Unemployment is likely to rise from 2.4m to stabilise at about 2.65m by mid-1992.

The OECD says the effects of ERM entry appear already to be working in forcing workers to agree to lower wage increases and in bringing down retail price inflation – which the UK government expects to fall to an annual rate of 4 per cent by December.

The OECD's report is generally bullish about longer-term prospects for British industry, despite evidence of "persistent shortages" of skilled labour.

Although the OECD says the UK made "significant progress" in improving the structure of its economy in the 1980s, it believes more needs to be done. Areas that need further attention include improving the efficiency of public sector services, and in ironing out distortions in the tax system that may discourage savings.

The report indicates that the 1991-92 public-sector borrowing requirement, projected by the Treasury at £8bn ($13.4bn), may be higher because of extra public spending caused by the recession.

Details, Page 8
Editorial Comment, Page 14

Russia, Ukraine sign pact

Continued from Page 1

of the fact that some had declared independence.

In its fourth day of a special session, the Union Supreme Soviet yesterday suspended the operations of the Communist party. The move had been expected and leaves the Soviet Union without even the legal trace of a party which has dominated it for 74 years.

In other developments yesterday:

- In Baku, the Azerbaijani capital, thousands of demonstrators surrounded an emergency meeting of the Supreme Soviet, demanding the suspension of presidential elections timed for early next month and calling for the nationalisation of all Communist property.

The republic's government, still dominated by a hard-line Communist party, had welcomed the declaration of last week's coup.

- At a meeting of leaders of the Russian autonomous republics, only 10 of the 16 agreed that the new union treaty should be signed by Russia on behalf of them all – the rest, led by Tatarstan, refused.
- Papers confiscated from a fleeing Central Committee bureaucrat are said to show that the party had funded president Saddam Hussein to the tune of Rs3bn, while a government commission has discovered that the party had its own distillery in Tatarstan.
- The first secretary of the Ukrainian Communist party, Mr Sergei Gurenko, was charged with complicity in the coup.

Lloyd's counters US challenge

Richard Lapper in London

THE AUTHORITIES at Lloyd's, the international insurance market, took the offensive yesterday in a legal row with disaffected US Names.

Lloyd's started procedings in the Commercial Court in London seeking injunctions to restrain two lossmaking US Names – the individuals whose capital backs underwriting on the market – from pursuing actions to sue Lloyd's in the US courts.

Lloyd's argues that the UK is the proper jurisdiction for any dispute.

The Names allege Lloyd's violated the 1933 Securities Act offering investments – membership of Lloyd's – to Americans without registering with the Securities and Exchange Commission (SEC).

In London, meanwhile, Chatset – the independent group that analyses Lloyd's results – accused Lloyd's of London of "playing down" the scale of difficulties faced by Names.

A survey by Chatset indicates that over a quarter of Names could pay out £50,000 ($84,000) or more in insurance losses in 1991. The survey warned that Names faced "more pain" next year when overall losses could rise to £1.3bn.

More than 2,000 of these individuals are based in the US. Lloyd's has operated in the US on the assumption that Lloyd's membership was exempt from registration under a special regulation designed to allow small businesses to raise capital more easily. Concern at Lloyd's has been heightened by news that the SEC itself began an informal investigation into the activities of Lloyd's in the US over the summer.

Although the US Names represent a small minority of the market's total of 26,500, many of them commit relatively large amounts of capital to the market and Lloyd's, which faces the loss of at least 3,000 Names this year is keen to retain their backing.

Lloyd's also earns more than a quarter of its premium income from the US and fears that bad publicity could damage its prospects there.

Names face losses, Page 8

Anglo-US aid package

Continued from Page 1

Mr Bush, who has faced some criticism for his cautious response to events in the Soviet Union, said he would resist taking actions which might be considered provocative or interfering in domestic Soviet politics.

He again passed up an opportunity to extend diplomatic recognition to the Baltic republics, and indicated he would await action from from the Supreme Soviet, which might not come until Monday.

"We have urged them not to stand against the wind of change, let the Soviet leadership act accordingly," Mr Bush said.

Both leaders appeared to have developed a solid, friendly working relationship since Mr Major arrived in Maine on Wednesday. Mr Bush paid tribute to Mr Major's chairmanship of the G7 meeting last July which rejected a plea from Mr Gorbachev for $20bn of financial aid.

Mr Major said direct financial aid from the west required a credible economic reform programme and a commitment from the Soviet Union to extend planned cuts in its military budget.

Both leaders said one of the most pressing needs was for information about what was needed in the Soviet Union and how best the west could help. Mr Bush spoke of "monumental changes" which involved "enormously complex sets of relationships" between the central Soviet authorities and the republics.

WORLDWIDE WEATHER

		°C	°F
Ajaccio	S	29	84
Algiers	S	37	99
Amsterdam	S	20	68
Athens	F	27	81
Bahrain	S	35	95
Bangkok		-	-
Barcelona	S	28	82
Beirut	F	28	82
Belfast	S	23	73
Belgrade	T	18	64
Berlin	R	15	59
Biarritz	F	24	75
Bombay	F	30	86
Bordeaux	F	30	86
Boulogne	S	20	68
Brussels	S	19	66
Budapest	F	18	64
Buenos Aires		-	-
Cairo	F	32	90
Cape Town	F	15	59
Caracas		-	-
Casablanca	F	25	77
Chicago	S	23	73
Cologne	S	21	70
Copenhagen	S	19	66
Corfu	S	28	82
Dallas	S	24	75
Dublin	S	23	73
Dubrovnik	S	25	77
Edinburgh	S	24	75
Faro	S	24	75
Florence	C	29	84
Frankfurt	S	22	72
Geneva	S	25	77
Gibraltar	S	28	82
Glasgow	S	21	70
Helsinki	F	20	68
Hong Kong	S	28	82
Innsbruck	F	20	68
Inverness	F	21	70
Islamabad		-	-
Istanbul	F	23	73
Jakarta		-	-
Jersey	S	21	70
Johannesburg	S	26	79
Lima		-	-
Lisbon	C	24	75
London	S	21	70
Los Angeles	S	17	63
Luxembourg	S	22	72
Madeira	F	26	79
Madrid	S	30	86
Majorca	S	33	91
Malaga	F	29	84
Malta	S	31	88
Manchester	S	22	72
Manila		-	-
Melbourne	F	15	59
Mexico City		-	-
Miami	F	27	81
Milan	S	26	79
Montreal	S	19	66
Moscow	C	16	61
Munich	F	18	64
Nairobi	F	26	79
Naples	F	28	82
Nassau		-	-
New Delhi	F	27	81
New York	S	26	79
Nice	S	28	82
Nicosia	S	28	82
Oporto	F	23	73
Oslo	S	21	70
Paris	S	24	75
Peking	S	26	79
Prague	F	16	61
Reykjavik	C	9	48
Rhodes	S	28	82
Rio de Janeiro		-	-
Rome	S	27	81
Salzburg	F	16	61
San Francisco	C	14	57
Seoul	F	31	88
Singapore		-	-
Stockholm	F	18	64
Strasbourg	S	24	75
Sydney	S	16	61
Taipei		-	-
Tangier	F	26	79
Tel Aviv	F	28	82
Tenerife	S	26	79
Tokyo	F	25	77
Toronto	S	21	70
Tunis	S	34	93
Valencia	S	34	93
Venice	S	26	79
Vienna	F	20	68
Warsaw	F	19	66
Washington	S	25	77
Zurich	S	22	72

Temperatures at midday yesterday C-Cloudy Dr-Drizzle F-Fair Fg-Fog H-Hail R-Rain S-Sunny Sl-Sleet Sn-Snow T-Thunder

There are several serious obstacles to export-led expansion, Page 3

ZIMBABWE

Africa's grandest tourist attraction looks like a building site, Page 6

SECTION III

Friday August 30 1991

President Robert Mugabe has turned his back on the idea of socialist transformation in favour of a market-driven economy. But while structural adjustment fills the economic vacuum there is a lack of political innovation by the ruling party. **Tony Hawkins** reports

Remodelling the economy

Tobacco auction in Harare: growers, who are enjoying unparalleled prosperity as prices soar, are the privileged class in Zimbabwe (Page 4)

Picture: Glyn Genin

ZIMBABWE'S 12-year flirtation with socialism is limping to a close amid high expectations, certainly in business and government, of better days to come. Not that the country's post-independence economic performance has been poor; real gross domestic product has grown at 3.3 per cent annually since 1980, well above the 2 per cent annual average for sub-Saharan Africa, and enough to ensure a marginal improvement in real income per head.

But the economy could, and should, have done much better. Agricultural growth has fallen behind the 3 per cent rate of population increase; investment levels were lower than in the 1970s when the economy was buffeted by sanctions and the liberation war; unemployment has risen fivefold and is now estimated at 25 per cent of the workforce. Only a third of the 162,000 families due to be resettled by 1985 have been relocated, while the record of resettlement varies from mediocre to downright disastrous.

By reluctantly embracing a donor-funded, five-year structural adjustment programme (SAP) designed to foster a market-driven economy, President Robert Mugabe has turned his back on the heady rhetoric of "socialist transformation" that dominated the immediate post-independence years. The twin pillars of the command economy and the one-party state, around which the ruling Zanu-PF party built its political philosophy, are being discarded. But while SAP fills the economic vacuum, the political stable is devoid of new thinking. The voters certainly think so – evidence the widespread apathy and low turnout at local elections this month.

Having abandoned its own brand of Marxist-Leninism, always more rhetoric than reality, and no longer able to rely on the apartheid issue to create the spectre of external threat, Zanu has no clear sense of future direction. Structural adjustment is no vote-winner and party leaders are all too well aware they no longer command anything like the mass support enjoyed in the 1980 and 1985 elections. Marginalised groups – the educated unemployed, students, intellectuals, trade unionists and peasants – are increasingly critical of government. Ominously, the issue likely to unite such disparate interests is opposition to economic reform.

A leading academic, Jonathan Moyo, argues: "SAP is foul to the already poor, the jobless and the consumer at large", contrasting this with "the wonderful future for the poor that used to typify Zanu-PF's socialist rhetoric ..." Such criticism goes to the heart of the matter – unfulfilled expectations.

There are those, notably in business, who see economic reform as the solution. Politicians are more realistic; a leading member of the ruling politburo (the central committee/politburo syndrome has outlived Marxism in Zimbabwe) warns of public unrest unless inflation is checked. A majority of government backbenchers has spoken against SAP.

Even if reform does push the growth rate above 5 per cent by 1995, unemployment will still double by the turn of the century. The US$750m invested over the past two years generated 40,000 new jobs. Creating formal sector employment for upwards of 200,000 school-leavers each year implies investment of US$3.75bn annually – 75 per cent of GDP – which is simply untenable.

Such calculations strengthen the case for economic reform while pinpointing the shortcomings of left-wing criticism that SAP is unnecessary since the country is so obviously not a basket case. Zimbabwe's growth rate may be uninspiring, they say, but the country has outshone most African countries that took the structural adjustment route.

But precisely because it *is* different, Zimbabwe has a far better chance of success; the economy was not run into the ground as in Ghana, Tanzania or Zambia. Unlike those countries too, there is a strong private sector, a diversified industrial base, a broad export base, an efficient infrastructure, a developed capital market and a more plentiful, if still inadequate, supply of skills. Indeed, it is difficult to quarrel with the view that if SAP fails in Zimbabwe, it is not going to work anywhere in Africa.

Structural adjustment is under threat on four sides: first and most obviously from domestic politics. While there is no viable alternative government in sight – Mr Edgar Tekere's Zimbabwe Unity Movement is in disarray over his leadership and accusations it was funded by Pretoria – Zanu, having failed to deliver on past promises, is on the defensive. Ministers and MPs go along with reform in the hope it will improve their electoral prospects in 1995.

However, should it become clear SAP is a vote-loser, there will be pressure for a return to the values for which "our heroes died in the war". By 1995, the party could be facing a bitter leadership contest – Mr Mugabe will be in his seventies by then – and one or more of five presidential hopefuls, some of whom are already murmuring against SAP, will be tempted to break ranks and turn back the economic clock.

Inflation – now running at 25 per cent and heading higher – is a threat, as much for political as for economic reasons. So long as the man in the street believes he was better off under price control, it will be difficult to sell deregulation, especially if it means – as it soon must – higher interest rates and mortgage payments.

Implementation is a problem too; not only is there a reluctance to impose unpopular measures but the government's former socialist-inspired determination to squeeze pay differentials has denuded the administration of its best skills.

Above all, there is the re-emergence of South Africa as the regional economic superpower; not only will its aggressive exporters make life difficult for Zimbabwean industry but in a world of global investment decisions, South Africa seems certain to be the preferred regional location for manufacturing industry.

Agriculture and mining have great potential, best illustrated by the resurgence of tobacco, which has doubled its share of farm income, albeit with potentially ominous implications for food production. Any one of the three platinum projects under investigation could boost exports by 10 per cent

But if the government can get its public sector reform act together and let farm prices rise to import/export parity levels – and there is some movement in this direction – the headlong rush out of controlled products into tobacco will correct itself. The land issue, under which the government is threatening to redistribute half the white-owned farm land for resettlement, is on the back-burner, though the issue is far from dead and will be revived by ambitious politicians.

Since 1987, the economy has been growing at 4.5 per cent annually and fuelled by surging tobacco exports, GDP should increase by 4 per cent again in 1991. As imports are liberalised – about 25 per cent are now on open licence – the balance of payments will swing into substantial deficit – US$350m or 7 per cent of GDP – but this will be funded from capital inflows of $2.4bn over the five years, with debt service remaining manageable, at less than 25 per cent of exports. If targets are met this year the budget deficit will be cut from above 10 per cent to below 6 per cent of GDP.

In short, economic reform is broadly on course; there is slippage, especially public sector reform, but nothing dramatic, though the inflation numbers will earn a stern lecture from the IMF next month. There is, however, more to reform than macroeconomics; the country needs a culture change, most obviously in the demoralised public sector, staffed by "controllers" rather than "facilitators", but also in private enterprise where 25 years of blanket protection, quasi-monopoly and state regulation have undermined the entrepreneurial initiative that drove the economy under sanctions. Reviving that will not be easy, especially in a $5bn economy in the shadow of South Africa's $80bn market.

IN THIS SURVEY

■ In March, Zimbabwe launched its structural development programme. Tony Hawkins assesses the impact so far and looks at future implementation; Key facts .. Page 2

■ Manufacturing has been the main source of national economic growth; Focus on reducing budget deficit; Trade surplus narrows .... Page 3

■ Agriculture was once the locomotive of the Zimbabwean economy. However, the engine has lost some of its steam; Tobacco farmers have never had it so good; Related surveys ..... Page 4

■ Philip Gawith traces the remarkable rehabilitation of the Zimbabwe Stock Exchange which is driven by a high octane mixture of inflation and buoyant business and political confidence .... Page 5

Robert Mugabe: discarded socialist transformation

■ The mining industry is a crucial cog in the economy; Platinum – much talk but not very much production; The tourist industry is flourishing with the Victoria Falls far and away Africa's grandest attraction; Map .... Page 6

Editorial production: Roy Terry

Tony Hawkins examines the structural adjustment programme

On course for more growth

BECAUSE Zimbabwe is one of sub-Saharan Africa's most sophisticated, best balanced and more successful economies, it is among the last to resort to structural adjustment. The five-year reform programme, drawn up by Zimbabwean officials in close consultation with the World Bank, is a five-legged stool – macro-economic stabilisation, trade liberalisation, deregulation, public sector reform and social initiatives.

Although the government committed itself to reform four years ago, the programme was not launched until March this year when at a donor conference in Paris, the country was promised $700m in new money over two years. Zimbabwe officials admit implementation has been slower than they would have liked, but donors are confident of accelerated implementation after discussions in Harare next month.

The programme, which will require $2.4bn in new money over the 1991-95 period – that is, a further $1.7bn in addition to the $700m already pledged for 1991-92 – is designed to boost the country's growth rate from an average of 3.3 per cent a year during the 1980s, to 5 per cent a year by 1995. With population growth of just under 3 per cent, this implies a 2 per cent rate of per capita income growth.

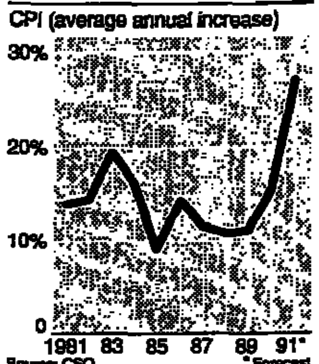
The trade liberalisation target for 1991 involves putting half the country's imports on open general licence (OGIL) by the end of the year. Officials believe they are about half way there with about 25 per cent of imports no longer subject to import controls. The 20 per cent across-the-board import surcharge will start to be lowered from next year and abolished altogether by 1995. By that time, the average rate of tax on imports will have fallen to 23 per cent from 29 per cent, while nominal protection – customs duty plus surtax – will be down to 14 per cent from 19 per cent.

Three main snags are apparent: manufacturers say more co-ordination is needed so that several items, all of which are crucial to a specific process, go on OGIL together. Some complain that there is now more, rather than less, bureaucracy, because of the requirement to register with two agencies – the trade ministry and the central bank – instead of one.

But most serious is the reluctance of donors to release pledged funds until they have seen a detailed timetable of import liberalisation. The Zimbabweans say – with justification – that they cannot commit themselves to a detailed programme without being sure of the funding. Consequently, the greatest threat to the 50 per cent liberalisation target this year is a shortage of foreign exchange.

Inflation

CPI (average annual increase)



Source: CSO *Forecast

Against a background of world recession, and in the wake of drought, exports are underperforming – with the shining exceptions of tobacco and, to a lesser extent, horticultural products. Officials expect the funds flow to accelerate towards the end of the year, which could mean some modest slippage in the liberalisation target.

Deregulation is well on the road – most prices have been decontrolled – though some basic necessities remain on the prescribed list. Maize marketing has been partially liberalised with yellow maize, sorghum and millet being decontrolled while the agricultural marketing boards are being given greater autonomy and allowed to negotiate producer prices with producers. There has been a hiccup on the labour front with the government insisting that collective bargaining agreements between management and workers be broken down into two six-monthly awards to curb inflationary pressures.

On the social front, retrenchment arising from adjustment is projected at fewer than 50 000 – 25,000 civil servants, 20,000 from the private sector and a minimum of 2,000 parastatal employees, totalling less than 4 per cent of formal sector employment. The health budget will grow faster than total government spending, so that it remains constant at 2.8 per cent of GDP while in education spending will fall by 0.5 per cent of GDP to 8.7 per cent. School fees are being introduced at primary level and cost recoveries will yield Z$160m a year by 1995.

Well-intentioned though it is, the social programme does not bear close examination; compensation for less than 4 per cent of the formal sector workforce pales into insignificance when set against unemployment growth of at least 200,000 a year over the next five years. The programme statement that with the reduction of food subsidies "there is a risk that the price of maize (the food staple) may rise" is a masterly understatement. The proposal to set aside 30 per cent of the fiscal savings from grain subsidy reduction ($6m), while a laudable attempt to target assistance on those caught in the poverty trap, is no more than a drop in the ocean.

The two most difficult – interlinked – elements in Zimbabwe-style structural adjustment are public sector reform and macro-economic stabilisation. The 1991 budget projects a reduction in the budget deficit from 10.3 per cent last year to 7.6 per cent in 1992, partly by floating off the parastatals and their attendant deficit burden to off-balance sheet status. The bullet of parastatal reform remains to be bitten though Zimbabwe accountancy and management consultant groups have been asked to advise on parastatal restructuring.

Deficit reduction by parastatals is criticised by users as being a cost-plus rather than a rationalisation approach; rail tariffs have risen steeply in the past two years and the Zimbabwe Electricity Supply Authority (ZESA) increased tariffs by 20 per cent, nine months after a 21.7 per cent rise. Even this is not enough, and the ZESA chairman complains the government rejected his recommendation of a 35 per cent tariff increase, warning that the authority will have to borrow Z$100m to service long-term loans.

Privatisation – until a year ago a nonword in Zimbabwe – has found its way on to the agenda and there is growing pressure for the liquidation of unnecessary parastatals such as the Urban Development Corporation, the State Trading Corporation and the Minerals Marketing Corporation. Sadly, experience elsewhere in Africa suggests that the vested interest opposition to rational public sector decision-making is extremely powerful. In Zimbabwe, it starts at the top; in direct contradiction of Finance Minister Chidzero's pledge to retrench 20 per cent of public sector employees, President Mugabe said recently that there was no question of civil servants being made redundant. Instead, they would be "redeployed".

The cabinet is considering a one-third reduction in the number of government ministries – including the abolition of the redundant ministry for political affairs.

Equally troublesome is stabilisation – with escalating inflation, and a plummeting exchange rate, potent threats to reform. The structural adjustment programme projects inflation of 16 per cent annually, but in the first half of 1991 consumer prices rose 24 per cent and the trend is pointing strongly upwards. Manufacturers say input costs rose 37 per cent in the year to March 1991 while the money supply was up by more than a third. A depreciating Zimbabwe dollar – down 20 per cent on a trade-weighted basis in the past year – will intensify inflationary pressures. Real interest rates are substantially negative and a big increase is imminent.

Problems of stabilisation and public sector reform aside, structural adjustment in Zimbabwe is broadly on course.

KEY FACTS

Area	390,759 sq km
Population	9.5m
Head of State	Robert Mugabe
Currency	Zimbabwe dollar
Average exchange rate	1990 US$1 = Z$2.448
Average exchange rate	1991 US$1 = Z$3.0184

ECONOMY

	1989	1990
Total GDP (Z$m)	11,272	13,029
Real GDP growth[1]	+4.5	+1.9
GDP per capita (US$)	670	670
Consumer prices[1]	+11.6	+15.5
Mining production[1]	+4.2	+0.7
Manufacturing production[1]	+5.6	+5.3
Reserves minus gold ($m)	94.6	149.2
Narrow money growth[1]	+18.9	+26.9
Govt bond yield (% pa, avg)	14.0	15.2
Gross external debt (US$bn)	2.85	2.85
Debt service ratio (%)	21.3	24.5
Govt deficit (Z$m)	−1,143	−1,597
Current account (US$m)	−90	−185
Exports (US$m)	1,680	1,690
Imports (US$m)	1,320	1,335
Trade balance (US$m)	360	355
Main trading partners (1987)[2]	Exports	Imports
US	6.8	9.4
South Africa	9.8	20.8
West Germany	10.2	8.7
UK	12.9	11.5

Notes: 1 Year-on-year percentage increase. 2 Breakdown presents percentage shares of each category

Source: IMF, Datastream, Economist Intelligence Unit, Zimbabwe SAP

The post-independence investment record is disappointing

Few signs of improvement

INCREASED investment and exports are crucial to the success of economic reform. Zimbabwe's post-independence investment record is a disappointing one with fixed investment averaging less than 16 per cent of gross domestic product (GDP). Indeed, in 1985-86 investment fell to 12 per cent of GDP at which level it was barely adequate to cover depreciation, though there has been a recovery. But there is little evidence of any improvement in direct foreign investment which was modestly negative during the 1980s.

The Zimbabwe Investment Centre was set up two years ago as part of a package of measures designed to boost investment, along with new incentives, including an export retention scheme and improved conditions for remitting dividends. The signs are that the new policy is beginning to reap benefits, though the centre's acting director, Mr Richard Wilde, who is also deputy-governor of the central bank, concedes that after two years, the ZIC "has not yet attained the status envisaged when it was created".

Mr Wilde blames the country's poor investment performance on five factors – the foreign exchange constraint, price controls, labour market restrictions, bureaucratic delays and controls over the remittance of dividends. Most of these problems are being tackled – prices decontrolled, labour markets deregulated and the ZIC established to serve as a one-stop investment agency thereby eliminating bureaucratic delays.

The problems of foreign exchange and remittance of dividends will be solved only as and when export growth takes off. The foreign currency bottleneck continues to constrain the activities of the centre which is unable – on its own – to approve projects that will require ongoing allocations of foreign exchange. Where a project of less than Z$10m ($4m) meets specified export criteria, the ZIC can usually give approval well within 90 days. The same applies to projects, regardless of size, funded from either the International Finance Corporation's line of credit or that provided by the African Development Bank. But approvals are delayed where it is necessary to secure the agreement of government departments required to guarantee future foreign currency allocations.

Fixed capital formation as a % of GDP

1980	15.3
1981	18.6
1982	19.8
1983	18.9
1984	15.6
1985	11.9
1986	11.9
1987	14.0
1988	15.6

*Forecast

Source: Central Statistical Office

Legislation will soon be passed to establish the ZIC as an independent authority with powers to approve projects and become the focus of investment promotion. It will fulfil two functions – a project appraisal role that will be phased out over time and a promotional role that will become its chief responsibility.

In its first year, the ZIC approved Z$600m of new projects but the activity rate increased considerably in the second year with approvals of more than Z$1.4bn. This reflects the streamlining of procedures and the liberalisation of investment rules in 1989/90. Some 300 projects have now been approved of which 60 per cent are new and 40 per cent expansion projects. The bulk of the projects (60 per cent) are controlled locally.

Most of the foreign investment is being undertaken by foreign firms already operating in Zimbabwe but there are some important new foreign investors especially in mining, notably platinum. Most new projects are in the manufacturing sector, though mining exploration is also a priority. It is estimated that the 300 projects will boost export earnings by Z$1bn annually.

But a disturbing aspect of the projects approved to date is the estimate that $2bn of investment will create only 40,000 new jobs. The implication is that to accommodate up to 300,000 school-leavers flooding the labour market each year, Zimbabwe needs to invest Z$10bn annually or approximately three-quarters of 1990 GDP. The obvious conclusion is that increased investment, on its own, will not solve Zimbabwe's fast-worsening unemployment crisis.

Tony Hawkins

Manufacturing has been the main source of national economic growth

Drive to lift exports hits obstacles

"CHANGE is opportunity," says a young Zimbabwean industrialist, optimistic that with bureaucracy's heavy hand no longer on its shoulder, manufacturing will respond to the challenges and openings created by economic reform. After four years of stagnation immediately after independence, manufacturing value-added (MVA) has grown at more than 5 per cent a year since 1984, and has been the main source of national economic growth accounting for one third of the increase in gross domestic product (GDP). Growth has been fastest in the textile sector (8 per cent a year in volume) and slowest in furniture and wood products where output declined 12 per cent during the 1980s and in metals, with growth averaging 1 per cent annually.

On World Bank calculations, Zimbabwe ranks as sub-Saharan Africa's third largest industrial power (excluding South Africa), after Nigeria and Cameroon. Zimbabwe's share of regional MVA is estimated at 9 per cent, compared with 20 per cent for Nigeria and Cameroon's 12 per cent. Zimbabwe can claim to be the most industrialised state in the region with manufacturing accounting for a quarter of GDP last year – easily more than double the sub-Saharan average of only 11 per cent, and well above Nigeria's 10 per cent and Cameroon's 15 per cent.

The advanced stage of manufacturing could become something of a problem as a quarter of a century of direct controls and protectionism is partially dismantled. If manufacturing is to become the lead sector under the structural adjustment programme (SAP), expanding faster than GDP, its share of output will soon exceed that of Korea and Singapore, both 26 per cent. It is doubtful whether this is a sustainable growth pattern in the absence of a breakthrough into export-led industrial growth.

There are several serious obstacles to export-led expansion: industry has largely been shut off from international competition for 26 years; the sector's capital stock needs updating and replacement; skills are in short supply; markets in neighbouring territories – except South Africa – are small and invariably highly protected; and the domestic market is not large enough for the realisation of scale economies. But perhaps the greatest threat is the potential competition from South Africa, whose MVA exceeds that of the sub-Saharan region and which is certain to be an aggressive competitor in regional markets given its urgent need to expand non-gold exports.

At present, manufactured exports are substantially commodity-based with limited domestic added value – ferrochrome, cotton lint and steel being the three largest industrial exports. If the first two are treated as primary exports, then the share of manufactured goods in total exports in 1987 – the most recent year for which detailed data are available – was 16.5 per cent. Clothing and textiles, footwear, furniture, chemicals and some machinery all have the potential to develop markets in the region and within South Africa itself. To that end Zimbabwe is seeking to renegotiate the 1964 South African trade agreement so as to raise the existing quotas for preferential entry.

Against this export-drive background, manufacturers are puzzled by the government's decision to abolish the 9 per cent export incentive. "We must be the only country trying to achieve export-led growth that has abandoned its main export incentive," says one grumpy industrialist.

Industry's capacity to increase and broaden its export base is under threat from strong cost pressures, cushioned – but also caused – by a depreciating exchange rate. The Confederation of Zimbabwe Industries (CZI) which has been monitoring industrial cost increases for the past two years says the rate of input cost escalation rose from 35.6 per cent in the year to April 1990 to more than 37 per cent in the year ended April 1991.

The largest single element in input costs is local raw materials which account for 47 per cent of the total followed by imported inputs (22 per cent) and wages (10 per cent). It believes that this year import costs have been responsible for about a third of industry's cost inflation, with raw material costs responsible for 41 per cent and wages 8.6 per cent.

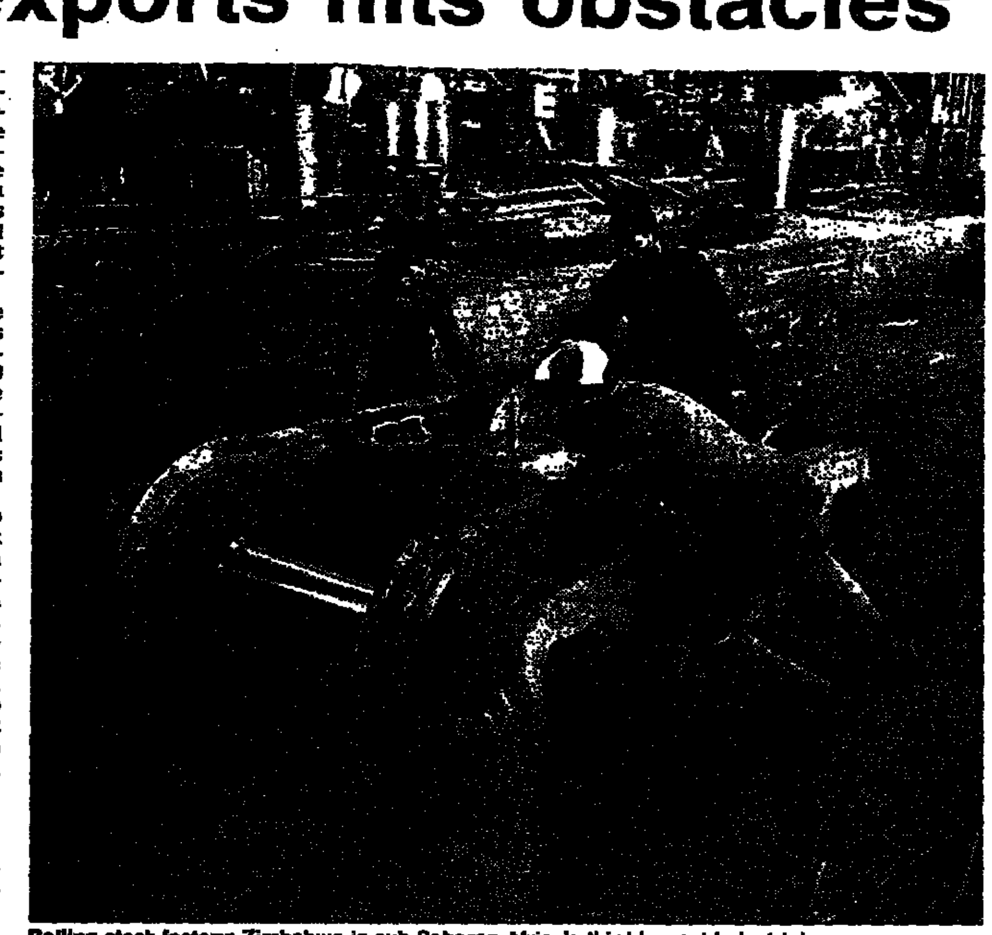
These conclusions have led it to contest the government view that wage restraint is necessary to curb inflation. Industrialists want to see supplyside constraints eased so that more inputs are available for manufacturers to satisfy domestic demand.

The greatest threat to export-led expansion is the potential competition from South Africa

Cost escalation – well over 30 per cent – is now common to all sectors implying that the exchange rate will have to continue to depreciate rapidly if Zimbabwe is to compete internationally. Even a high inflation economy like South Africa's is keeping cost increases below 20 per cent.

The conventional wisdom has long been that no more than a fifth to a quarter of Zimbabwean manufacturing would be at risk were import controls to be dismantled and replaced by an appropriate tariff structure. The SAP document is more sanguine arguing that only about 10 per cent of manufacturing will find it difficult to adjust to the new operating environment.

The programme forecasts that exports of manufactures – broadly defined – will rise from US$470m in 1990 to $795m by 1995 – an annual growth rate of more than 11 per cent, which after adjusting for a weaker dollar, means volume growth of 8 per cent a year.



Rolling stock factory: Zimbabwe is sub-Saharan Africa's third largest industrial power

It looks a tall order, but recovery in Angola and South Africa and the proposed establishment of export-free zones could bring the target within reach.

Even so, industrial exports are not going to grow fast enough without the combination of new equipment, skills and technologies and a new outward-looking culture. Industrialists are going to have to pay far greater attention to quality – access to imported packaging materials will make all the difference in the appearance of products which on the domestic shelves look decidedly shoddy – and service. Manufacturing is heavily concentrated and domestic competition, where it existed at all, has been gentlemanly while foreign competitors have been shut out of the market.

Needless to say there is a powerful industrialist lobby against the early opening up of the economy to competing imports on the ground that manufacturing needs breathing space to re-equip before facing the opposition on its own turf. But there is also a – much smaller – lobby arguing that manufacturing needs the stimulus of competition to improve efficiency and productivity. Without it, the export drive may come to nothing especially as the domestic market expands.

It's part of the conventional wisdom too that the past success in industrialisation in the 1960s and 1970s – can be readily replicated. It may be so, but there have been two crucial changes: many of the entrepreneurial, managerial and, above all, technical skills that drove the previous industrial cycle are no longer around. Second, and possibly more important, technology and strategy have moved on. Scale economies count for much more, managers think globally rather than nationally and when push comes to shove the South African market with a GDP of more than US$80bn has much more to offer than Zimbabwe's US$5.5bn.

Tony Hawkins

BUDGET

Focus on reducing deficit

HALVING the budget deficit by 1995 is a prerequisite for successful adjustment and in his 1991 budget last month, Finance Minister Bernard Chidzero knocked almost three percentage points off the deficit. In the past five years, the deficit averaged almost 10 per cent of GDP, reaching 10.3 per cent in 1990/91, but by keeping public spending growth well below the projected inflation rate, Dr Chidzero hopes to cut the deficit by 8.5 per cent to Z$1.46bn.

The underlying assumptions are that in the fiscal year to June 1992, total spending will increase just over 15 per cent to Z$9.6bn while revenue, including aid grants, will rise far faster, growing 21 per cent to Z$8.2bn.

At first sight, this looks optimistic at a time when inflation is running at almost 25 per cent. Even if – and it's a very big if – inflation can be kept to this level, the implication is that public expenditure will fall almost 10 per cent in real terms. This seems highly unrealistic. On the other side of the coin, however, it is very likely that revenue will exceed forecast as fiscal drag – higher tax revenues caused by inflation – has its impact. The minister has been conservative on two other counts as well; there is an unallocated contingency reserve of Z$409m set aside to finance a public service pay award, while the gross domestic product estimates, on which the crucially important deficit/GDP ratio is based, look to be on the low side.

All of which suggests that even if there is a public expenditure overshoot the deficit could still be at least two points, and possibly more, below the 10.3 per cent registered in 1990/91. Much will depend on monetary policy; higher interest rates will push up the cost of debt-service while the longer the exchange rate is allowed to slide the heavier the external debt-service burden. Furthermore, if monetary policy is tightened to curb demand, then revenue growth will slow significantly in the first half of 1992.

The two prerequisites for sustained deficit reduction are public enterprise reform, including the phasing out of subsidies, and rationalisation of the civil service. The structural adjustment programme (SAP) projects a 25 per cent reduction in the civil service (excluding education) which, in spite of a freeze on new appointments, continues to increase from 181,000 two years ago to 191,500.

In his budget speech the minister admitted that the phased reduction in the civil service which had been due to start last year was awaiting the findings of a vice-presidential task force.

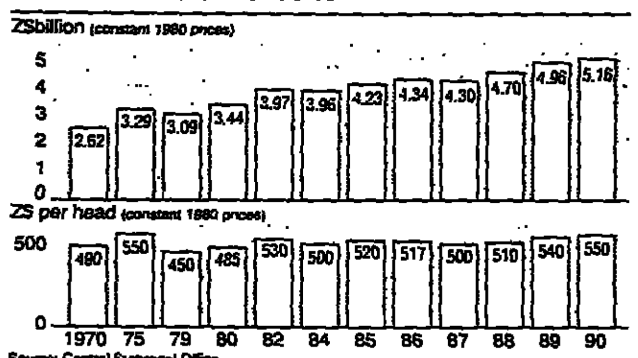
More important though will be the elimination of parastatal subsidies which peaked at Z$530m last year. This year they have been cut almost 15 per cent to Z$453m dominated by agricultural support of Z$248m, the railways (Z$149m) and Air Zimbabwe (Z$27m). But this excludes Z$139m support for the state-owned steel company, ZISCO, which is classified as a loan.

The onus is now on the parastatals to balance their own books, but with the government having already reduced producer prices agreed by farmers and marketing boards and increased electricity tariffs, the probability must be that some parastatals will need more money from government this year than budgeted.

There is also a welcome supplyside element in the budget with the rate of corporate tax cut from 45 per cent to 42.5 per cent (from April 1992) and the top personal rate reduced to 55 per cent from 60 per cent. Even so, the personal tax burden is high by international standards, with the top 55 per cent rate cutting in at an income of Z$45,000 (just over £7 000). These changes are part of the reform programme which projects a fall in the share of GDP going in taxes from 35 per cent to 33 per cent by 1995.

Tony Hawkins

Gross Domestic Product



Source: Central Statistical Office

Trade surplus narrows

ZIMBABWE'S current account deficit is forecast to double during 1991 as imports increase twice as fast as exports thereby cutting into the trade surplus. Surging tobacco prices and rapid Zimbabwe dollar depreciation should ensure that the country achieves its 1991 export target of US$1.8bn, an increase of 8 per cent on 1990, marking a welcome return to export growth after three years of stagnation, and no mean achievement in a drought year and at a time of world recession. But imports will expand twice as fast narrowing the trade surplus to US$240m from US$355m last year.

The logic of the structural adjustment programme is that a current account deficit – 7 per cent of GDP – be funded from capital inflows averaging US$500m annually over the programme period. But this year, the delayed disbursement of the funds pledged at the Paris donors' meeting has forced Zimbabwe to raise a US$155m bridging loan from Barclays and Standard Chartered banks along with other short-term loans, to help finance the deficit.

In the second half of the 1980s, the country's external debt fell 5 per cent as the government shunned new borrowings and squeezed imports to repay maturing debt. The debt/service ratio – debt obligations as a ratio of exports of goods and services – peaked at 33 per cent in 1987, falling to 21.5 per cent in 1989. It has since picked up again reaching 24.5 per cent last year and is forecast to remain at this level.

The export growth target of 8.5 per cent annually (in US dollars) is an exacting one but with tobacco earnings running way ahead of forecast, this should not be a problem. In 1991, tobacco exports will exceed US$500m compared with a programme target for 1995 of US$425m. Exports would get a substantial boost – more than 5 per cent – should any of the three platinum projects go ahead.

The steep decline of the Zimbabwe dollar – 24 per cent of a trade-weighted basis so far this year and almost 10 per cent in the first three weeks of August – will boost exports, but it will slow capital stock refurbishment and push up production costs with damaging inflationary consequences in 1992.

Main exports 1990 (US$m)

Tobacco	395
Ferrochrome	235
Gold	171
Nickel	135
Cotton	70
Steel	50
Textiles	40

Central Office of Statistics

Balance of payments (US$m)

	1989	1990	1991*
Exports	1,680	1,690	1,825
Imports	1,320	1,335	1,585
Trade surplus	360	355	240
Net services	–215	–265	–300
Investment income (net)	–215	–260	–265
Transfers	–20	-15	–25
Current account	–90	–185	–350
Net capital	100	170	350
Overall balance	10	–15	–

* Forecast

Source: Structural Adjustment Programme and estimates

Trade-weighted index Zimbabwe dollar (1984 = 100)

1980[1]	122
1981	128
1982	112
1983	105
1984	100
1985	90
1986	77
1987	67
1988	65
1989	58
1990	47
1991[2]	36

1 Figures are for year end.
2 Up to August 21.

Source: Standard Chartered Bank, Zimbabwe

AGRICULTURE

Locomotive loses some of its steam

Corn on the cob: costs of growing maize have more than doubled in six years

Vegetable mountain: women sort out onions at Hightop farm

Agricultural output (Z$m)

Year	Total production	Flue-cured tobacco
1980	395	97
1981	723	128
1982	760	146
1983	725	178
1984	973	247
1985	1,336	285
1986	1,442	353
1987	1,189	279
1988	1,740	472
1989	1,915	558
1990	2,440	866
1991*	3,450	1,720

*Forecast

Source: Central Statistical Office

Maize deliveries

Year	Tonnes
1980	819,000
1981	2,013,000
1982	1,391,000
1983	617,000
1984	942,000
1985	1,827,000
1986	1,594,000
1987	402,000
1988	1,197,000
1989	900,000
1990	745,000
1991*	500,000

*Forecast

Source: Central Statistical Office

IT IS said there are four types of farmer in Zimbabwe today, replacing the long-standing dual agricultural economy of commercial producers and communal or peasant farmers. Tobacco growers, who have never had it so good, are the privileged class, followed by producers of other non-controlled products such as fruit and flowers and wildlife. At the bottom of the pile, are two groups of "peasant" farmers – large-scale and small-scale – who rely on controlled commodities such as maize, cotton and beef for their livelihood.

At the annual Commercial Farmers Union congress this month, farmers were told that agriculture was the locomotive of the Zimbabwe economy. Sadly, while this was true in pre-independence days, the 1980s was a decade of stagnation. Value-added grew less than 2 per cent a year which meant that output per head declined. Indeed, between 1985 – an above-average season – and 1990, a mediocre one, farming's contribution to GDP fell by 10 per cent. Employment in commercial agriculture fell by 50,000 jobs to 285,000; maize deliveries, which averaged more than 1.1m tonnes annually in the first half of the 1980s, have fallen by a third in the past five years. Perhaps most *dramatically of all, flue-cured tobacco* which accounted for less than a third of crop income during the 1980s, will contribute a staggering 60 per cent in 1991.

Small wonder then that Dr Jerry Grant, deputy-director of the CFU, which represents the country's commercial producers, said conditions in the controlled commodity sectors were "at an all-time low", for which he (rightly) blamed inappropriate pricing policies, while agricultural marketing deficits were at "an all-time high".

The grain industry, he said, had *swung from a situation of embarrassing* surplus to one of near-collapse; dairying is "teetering on the brink", while cotton production has fallen by more than 40 per cent. Cotton growers, the bulk of whom are in the small-scale communal sector, are able to meet less than 60 per cent of textile sector demand and exports have had to be curtailed.

As for beef, once believed to have enormous export potential, the outlook is bleak. The commercially-owned herd has declined from 3.2m head in the mid-1970s to 1.8m. The maximum annual offtake is put at 400,000 head, the bulk of which are being sold to private abattoirs rather than to the state-owned Cold Storage Commission (CSC), whose prices are uncompetitive. The herd is likely to shrink further with the government's land policy document on resettlement projecting a commercial herd of only 600,000 and an annual offtake of 130,000. Cattle sales by the small-scale producers could double this figure to 260,000, little more than half the 450,000 the CSC needs each year to break even.

While the contrast with the non-controlled sector is most dramatic in the tobacco sector, this is largely explained by favourable world market conditions. *For that reason a better comparison is* the experience of horticulturists whose exports have risen from Z$4m in 1985 to a forecast Z$65m this year and Z$100m in 1992. In wildlife, more and more producers are developing private game parks and successfully exploiting tourist dollars.

Much of the blame for the parlous state of the controlled commodity sectors lies at government's door; its determination to hold down retail prices for consumers and, in the case of cotton, the textile manufacturers, has resulted in a *combination of low producer prices* and large marketing board deficits. This year's deficit of the four agricultural parastatals is Z$270m or 18.5 per cent of the budget deficit.

There are hopes in the industry that the structural adjustment programme (SAP) will ride to its rescue; first, by restructuring the marketing boards which are to have autonomous boards of directors charged with running the operations on a business basis. But this new system had a disappointing start *when the minister of agriculture* insisted on reducing the prices agreed between the marketing boards and the producers before presenting them to cabinet. At the same time, deregulation is under way – coffee marketing is on the road to privatisation, yellow maize marketing has been partially decontrolled and similar moves are afoot for soya beans and cotton.

Agriculture hopes, too, that as more of its inputs go on to open import licence the relentless rise in input costs *will be restrained. Certainly the farmers* are not all one in resenting the excessive mark-ups and "take-it-or-leave-it" attitude of suppliers fortunate enough to have import allocations. A CFU green paper on farm viability dem*onstrates that the costs of growing a* hectare of maize have risen 113 per cent since 1985 – more than double the increase in income received of 50 per cent. It is hardly surprising then that in the past 10 years, maize plantings have fallen 65 per cent in commercial areas and 35 per cent in the case of small-scale growers.

As in other sectors, there is a substantial backlog of demand for capital equipment which the SAP should help solve. The average age of the tractor fleet is almost 14 years and the annual replacement rate is put at 1,800 – three times the likely allocation for 1991. Indeed, bureaucrats in government and the donor agencies have so tied themselves up in their own red tape that capital equipment imports under the World Bank/IFC credit (which was 10 times over-subscribed by farmers wanting new equipment), has taken more than four years to arrive.

But the SAP will not be an unmixed blessing for farmers; higher interest rates will add to the overhead cost bur*den that is increasingly a problem, out*side tobacco, given the increased dependence on loan capital. It's clear too that the authorities want to keep their hand on the pricing tiller, fearing a political backlash should food prices run ahead of wage increases as is inevitable. Indeed, farmers say the pre-planting producer price for maize of Z$325 a tonne for 1991/2 is $100 below what is required. If it's a poor – or late – season then farmers may well get more for their maize as the producer price could be topped up. *In the meantime,* maize will have to be imported and farmers eyeing the gap between the gross income of Z$1,500 a hectare on maize and virtually 10 times that in tobacco – Z$14,600 a hectare – will continue *to move out of maize* with potentially serious implications for long-run food security. In the words of a leading grain producer: "It is economic suicide to produce maize for sale to the Grain Marketing Board."

All of which underlines the importance not just of getting relative prices and incentives right, but ensuring competition on the input side to restrain costs and improve the quality of service.

Tony Hawkins

Turning over new leaves: workers grade tobacco

Domestic tobacco price has risen by 60 per cent

Farmers are enjoying unparalleled prosperity

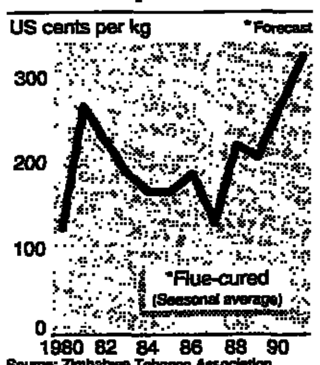
ZIMBABWE'S best hope of reaching its export targets in the immediate future rest with tobacco which is enjoying unparalleled prosperous conditions. By mid-August with 70 per cent of the crop *sold, the* flue-cured leaf price was averaging 1,033 Zimbabwe cents a kilogram – 60 per cent higher than *last* year. In hard currency terms, the improvement is far less dramatic – in US cents the price has increased by a quarter from last year's average of 255 US cents to 320 cents. In domestic currency, tobacco exports were up 68 per cent in the first seven months of the year, increasing 25 per cent in US dollars.

No-one is keen to forecast where the price will end the season in October. In late July, the buyers – complaining that *Zimbabwe was in danger of pri*cing itself out of the market – abandoned their agreed ceiling of 1,299 cents a kg (390 US cents) and the price took off. With the Zimbabwe dollar depreciating rapidly and bank credit available at substantially negative real interest rates, buying leaf had become something of a one-way speculation. Exports are moving slowly and some government *officials* accuse *the* tobacco merchants of speculating against their own currency – buying leaf, borrowing from the central bank – at negative real interest rates and holding the tobacco while the Zimbabwe dollar price rises.

This could yet turn out to be a dangerous game. "We have treated the tobacco industry with kid gloves for far too long," mutters one government official. In mid-August the central bank was holding more than Z$300m in rediscounted tobacco paper – in other words it was technically funding exports, albeit with an unknown element of speculative stockpile finance as well. Higher interest rates will erode some of the speculative margin while the authorities must also be anxious to put an end to the *one-way speculation in* Zimbabwe dollars.

While currency depreciation has undoubtedly been one factor driving the price, the main factor by far has been strong world demand at a time of low stocks. Since 1982 consumption growth of 3 per cent a year has outpaced production growth of 1.8 per cent. International stocks of flue-cured leaf are estimated at less than a year's *supply – down from more than* 15 months in the mid-80s. Short crops in the main producing

Tobacco prices*



Source: Zimbabwe Tobacco Association

countries, especially Brazil and the US, the depletion of the US stockpile and the 1990 surge in demand in eastern Europe and especially the Soviet Union *help explain the 1991 price* surge.

Opinions on future prospects vary; the Zimbabwe Tobacco Association, which represents the growers, is cautious, believing that there may be a return to global demand/supply balance within two to three years. It warns growers that the prosperity is likely to be temporary, but a recent Economist Intelligence Unit report is more *upbeat arguing that the* world – apart from China – will be consuming more tobacco than it produces. It says leaf prices will be less volatile than those of other commodities and will retain their value while other commodity prices decline.

By 1995, says the EIU, prices will be signalling that tobacco production needs to grow faster. By contrast, the World Bank's latest commodity price forecast sees tobacco prices – in constant 1985 US dollars – falling 5 per cent in the first half of the 90s.

Zimbabwean growers seem to have few doubts; the number of grower registrations is *forecast to increase 50 per cent* from 1,500 last year to 2,250 in 1991/2. As many as 360 of these *could be small-scale* producers growing up to 600 hectares. Depending on the weather, the crop could increase from 164m kgs this year to 180m in 1992 rising to 200m by 1993/4. This would leave the country ranked fourth in the world in terms of production after China, the US and Brazil, and third in the export league after the US and Brazil.

Some traders forecast an average price of almost Z$11 a kg this year putting a value of about Z$1.75bn on 1991 production – double last year's $866m. Flue-cured exports should be worth Z$2bn in 1991 (US$550m) or almost a third of forecast exports.

Many question the desirability of enhanced dependence on tobacco, especially should it mean – as elsewhere – a reduction in food production and the creation of a two-tier farm sector of tobacco haves and food producer have-nots. *Within the industry, too,* there are fears that the "concertinaing" of prices – similar prices being paid for very different qualities – bodes ill for the future of an industry, which owes its survival under sanctions and its subsequent success, to a focus on quality and niche markets. In the words of one grower: "If we lose that quality edge, we are in trouble."

Tony Hawkins

Philip Gawith on the resurgent Zimbabwe Stock Exchange

Remarkable rehabilitation

LOCATED in two drab offices on the sixth floor of a Harare high-rise, the Zimbabwe Stock Exchange (ZSE) is not exactly a landmark presence. Its performance, however, is enough to make even the most blasé sit up and take notice. Driven by a high octane mix of inflation and buoyant business and political confidence, the ZSE is enjoying a remarkable rehabilitation following the dark days of the mid-80s when trading ground almost to a complete halt.

By mid-August the industrial index had climbed to 2725, up from 2282 at the end of 1990 and 869 at the end of 1989. The first seven months of 1991 saw the value and volume of stocks traded exceed the levels achieved in 1990.

The market is not a big one – the listing in September of the finance group UDC will bring industrial companies to 53 and there are seven listed mining shares. The industrial companies are capitalised at Z$7.9bn and the mining companies at Z$712.7m. This compares to a total market capitalisation of about Z$450m in 1985.

Companies have not been slow in taking advantage of these buoyant market conditions. In 1989, when the tobacco group Tabex was listed, it was the first listing in eight years. Since then there has been a surge in new listings, rights and bonus issues. The year to March 1991 saw Z$314m raised through new listings and rights issues and the balance of the year will see something like 11 rights issues and five new listings. With the industrial index on a dividend yield of 3.35, the stock market is offering a very cheap means of raising finance. Mr Doug Old, of stockbrokers Edwards and Co, says he hopes to see the total of listed companies rise to 100 in the next three years.

The high-water market of the surge was the flotation in June of 25 per cent of Barclays Bank of Zimbabwe. The first listing of a bank on the ZSE for 18 years, it was remarkable for at least two reasons. First, the issue was five times oversubscribed with 22,000 people subscribing for nearly Z$300m of shares. Second, the bank went out of its way to promote popular capitalism by reaching out to the small man. It did this by setting a low issue price of 155 cents – the share was quoted at 250 cents on its first day – and by setting aside about 15 per cent of the issue for partly paid shares, with only 50 per cent of the price having to be paid on application. This innovation had limited success in attracting first-time, black investors, but the chances of it being repeated in future with greater success must be good.

The alarming rise in the inflation rate, now close to 30 per cent, is undoubtedly a significant force driving the market upwards with Zimbabweans seeking refuge from its ravages in asset-based investments such as property, boats on Lake Kariba and the stock market. The low dividend yield on the index indicates that investors are looking to protect their capital rather than for short-term returns.

Although some observers believe the market is reaching dangerously high levels, they are outnumbered by those who believe the market has strong upward momentum. Mr Old believes the imminent rise in interest rates will see little more than a technical correction before the market resumes its upward march. A three-point rise in February hardly registered in the market. One reason for this is the lack of suitable alternatives. A money market yield of about 15 per cent holds little attraction with inflation, conservatively measured, at 25 per cent.

This argument applies as much to institutions as to investors. Old Mutual, the life assurance company, is Zimbabwe's largest investor. Shortage of scrip means that it has frightening levels of exposure to individual companies – more than 40 per cent in some cases. In the circumstances, though, it has little option. As it is, only 18 per cent of its funds are in equities, a figure which would ideally be considerably higher.

Also underpinning the market is the perception that economic fundamentals are better than they have been for some time. The structural adjustment programme may not be a panacea, but there is no doubt that it has significantly improved prospects for the corporate sector. Already the lifting of price controls has boosted profits and the easing of foreign exchange restrictions and constraints on the remittance of dividends by foreign investors have further improved the outlook. Evidence of buoyant profits and dividends is that the dividend yield on the industrial index has remained at about 3.3 for some time in spite of the enormous advances in market prices.

The surge in industrial shares has not spread to the mining sector with the index at the same level it was at the end of 1988. This is largely a reflection of weak world commodity markets over the period, exacerbated in Zimbabwe's case by lack of access to foreign exchange manifesting itself in dated plant and equipment which often break down. Mr Derek Bain, of the Chamber of Mines, believes the flotation in July of Falgold, which was oversubscribed and opened at a premium, may represent a turning point for the sector. It is also true that the index is not an accurate reflection of activity in the sector as leading companies such as Anglo American, Lonhro and Union Carbide are unlisted.

Relations between the government and the ZSE have also come a long way since the time eight years ago when Mr Bernard Chidzero, the minister of finance, described the ZSE as the "whore of capitalism". Now market participants fall over themselves to stress the importance of government's support for the market. Things have moved so far that discussion of the flotation of parastatals such as the Industrial Development Corporation, the Mining Development Corporation and the commercial conglomerate Astra, no longer seems outlandish.

The success of the ZSE has not been lost on the rest of the continent. Harare has been receiving an ever-increasing stream of visitors from other African countries looking to find out more about the workings of the stock market. This led Mr Tom Williams, chairman of the ZSE, to speculate recently about the prospect of a regional stock market. Given the underdeveloped state of the private sector in most of Zimbabwe's neighbours, however, this is likely to remain a distant ambition for some time yet.

Zimbabwe Stock Exchange

Year	Value Z$m	Volume	Industrial Index end December	Mining Index end December
1980	91.56	45.34	477.77	207.36
1981	86.89	38.49	227.70	53.16
1982	57.01	20.91	136.13	44.45
1983	64.95	16.46	123.84	34.00
1984	18.06	25.68	122.73	23.76
1985	13.79	24.57	251.91	92.18
1986	19.66	21.86	286.30	116.70
1987	37.44	42.99	450.05	245.10
1988	69.67	55.62	552.61	308.35
1989	75.26	39.20	869.13	327.64
1990	125.56	58.67	2282.55	412.72
1991[1]	127.29	63.96	2725.59[2]	314.67[1]

1 Up to July; 2 On August 13. Before 1984 the turnover included external dealings

Source: Zimbabwe Stock Exchange

BANKING

Battle is on for deposits

FOR the banks and money market, structural adjustment is going to mean a new, much more competitive and challenging environment. As one banker puts it: "Controls created a degree of certainty which made it easier to make decisions." Now, as inflation accelerates, the authorities will have to tighten monetary policy significantly and raise interest rates. Bankers, who during 15 years of excess liquidity have not had to worry unduly about resource mobilisation, will now have to focus on attracting deposits.

Throughout the 1980s, real interest rates remained negative – most substantially so – but monetary growth and inflation were kept in check by a combination of direct controls (liquidity ratios, minimum prescribed investment ratios for institutional investors and the issue of stabilisation securities) and strong savings growth, fuelled by depressed investment demand in the private sector and the scarcity of consumer durables.

Two years ago – long before the launch of the structural adjustment programme (SAP) – the authorities signalled their intention of liberalising the system, starting with the introduction of a base lending rate (BLR), which replaced bank rate.

Banks were allowed to charge a maximum of 2.5 percentage points above BLR for "productive" loans and three points for consumption purposes. The BLR was originally pegged at 13 per cent, but given worsening inflation, lowered to 11.5 per cent in December 1989. As inflation increased and central bank rediscounting of trade bills, especially for tobacco, rose, so monetary expansion accelerated, offset by a deteriorating balance of payments which drained liquidity from the system.

The central bank responded in August 1990 with a new package of reforms and restraints designed to curb inflation; BLR was raised to 12 per cent and then to 15 per cent in February 1991; deposit rates were raised as was the mortgage lending rate which increased 0.5 per cent to 13.75 per cent for owner-occupied homes.

But these minor changes did nothing to stem the inflationary tide and although the planned reduction in the budget deficit should relieve the pressure to some extent, it has long been clear that a significant tightening of monetary policy would be needed to crack inflationary expectations and stabilise a fast-depreciating exchange rate.

Official reluctance to raise rates has fuelled the pace of monetary expansion which exceeded 33 per cent in the year to April 1991. The government has been unable to sell stock to a market convinced that an interest-rate rise was in the offing. It is estimated that the Reserve Bank of Zimbabwe (RBZ) is holding Z$1bn of government paper and possibly a similar amount of trade bills, half of which is tobacco paper. This rediscounting and purchase of government stock had the effect of increasing the money supply.

The government is anxious to keep a cap on interest rates for a variety of reasons; it is far and away the largest borrower in the market and interest payments on domestic borrowings – ignoring the parastatals (state-owned industries) – will cost Z$885m this year, equivalent to 9.1 per cent of total public expenditure. Indeed, this figure looks to be understated, implying a cost of funds of 11.6 per cent compared with 13 per cent last year. It is not clear why the cost of debt service should be falling at a time of higher rates.

Officials argue too that there is no case for pushing up interest rates unless the banks are competing for funds which, they claim, is not the case. Bankers point to sharply higher levels of NCD issues as evidence of competition for resources.

The government believes also that it makes little sense to raise interest rates substantially at a time when increased investment and job-generation is a priority. Above all, there are political fears – that higher interest rates, and especially mortgage bonds, will spark an anti-SAP backlash. However valid these arguments, it is difficult – if not impossible – to escape the conclusion that a big upward adjustment in rates is the only plausible solution to the twin problems of inflation and government underfunding.

As inflation accelerates, the authorities will have to tighten monetary policy significantly

In any event, there is more to reform than higher rates; the central bank accepts the need to liberalise rates as well, possibly starting by setting ranges for different rates rather than specific levels. Clearly too, the structure of rates requires attention. Following the adjustments of the past year, the building societies are losing funds mainly to the Post Office Savings Bank whose tax-free deposits make it a very attractive haven in a country with a top marginal rate of 60 per cent .

The planned monetary policy shift from direct controls to market forces implies downgrading the role of liquidity ratios replacing them with open-market operations. The authorities also want to see more competitors in the market though, ironically, the most likely new entrants, especially in the wake of the Bank of Credit and Commerce debacle, seem likely to be South African banks. First National (formerly Barclays, South Africa) and the Standard Bank of South Africa (previously controlled by Standard Chartered) have been spreading their wings regionally, by moving into Botswana. It is probably too early for them to be accepted in Zimbabwe but, with leading international banks reluctant to increase their African exposure, one or both of the South African banks could be in the Zimbabwe market by the mid-1990s. Government has a majority stake in BCC Zimbabwe and says the bank will continue operating.

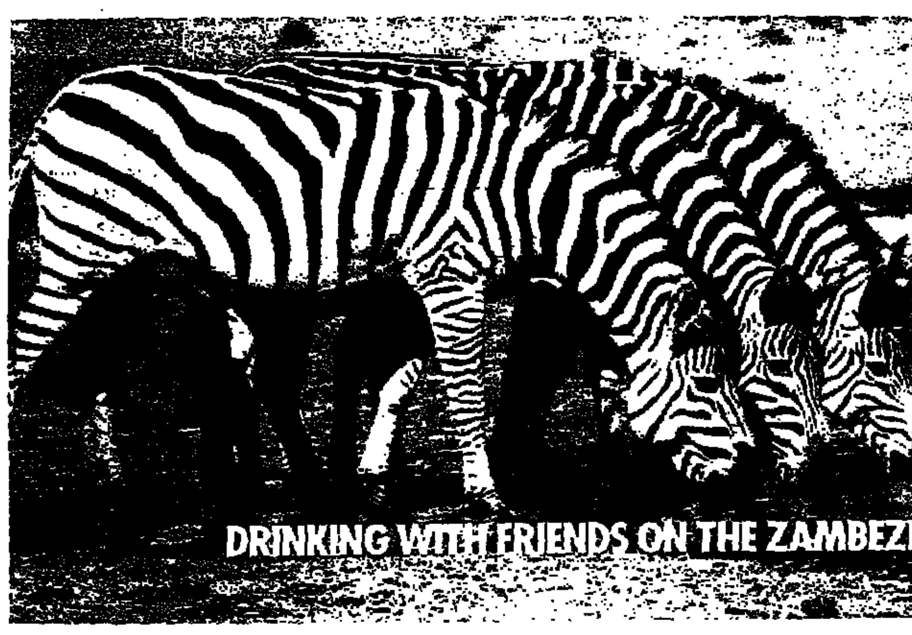
Standard Chartered is the largest player in the market with mid-1991 group lendings (comprising the commercial bank, merchant bank and finance house) of just over Z$2bn, followed closely by the state-owned Zimbabwe Banking Corporation with a 28.2 per cent market share. This somewhat exaggerates Zimbank's role since it has a significantly smaller deposit base than Standard Chartered and its loan portfolio includes onlending of offshore resources used to finance fuel imports.

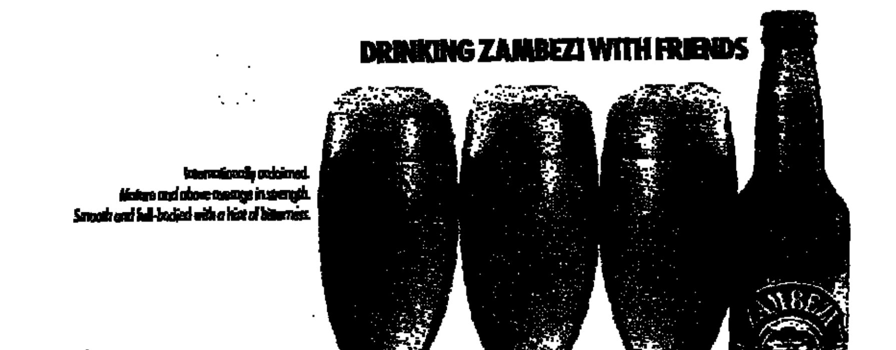
Higher rates will intensify competition for funds at a time of increased battles for market share. Standard Chartered stole a march on its competitors with the launch of automatic teller machines, while Barclays was first in the field with credit cards, though the Standard will not be far behind. Both Grindlays and Barclays have been making a play for corporate business, while all the banks are under pressure from government to step up their lending to black businesses. But as credit tightens and the cost of funds increases, the name of the game will change, with the balance shifting in favour of those with large branch networks and a solid resource base.

Tony Hawkins

Market share of banks (June 1991)

Banks	Loans % of total	Deposits % of total
Standard Chartered	28.4	30.8
Zimbabwe Banking Corp	28.2	28.3
Barclays	14.7	21.6
ANZ Grindlays	5.8	7.5
Bank of Credit and Commerce Zimbabwe	6.0	11.8
First Merchant Bank	9.4	0.9
Merchant Bank of Central Africa	7.5	1.1





Mining industry on the verge of moving forward

Crucial cog in the economy

THE Zimbabwean mining industry can best be likened to an engine that has built up a head of steam, but has yet to start moving. It is "on the verge of moving forward", says Mr John Nixon, chief executive of Rio Tinto Zimbabwe.

There is certainly a bullish air about the industry, somewhat at odds with the modest record of recent years. Rio Tinto's Renco gold mine and Cluff Resources's Freda Rebecca gold operation are the only big mining projects to have been commenced since independence and, according to the IMF, the mining industry showed only 0.9 per cent compound growth between 1982 and 1989. The industry remains, however, a crucial cog in the Zimbabwean economy as an earner of foreign exchange – Z$1.6bn, or 42 per cent of the national total in 1990, which is way out of proportion to its 7 per cent contribution to GDP.

The main reasons for optimism are the structural adjustment programme (SAP), the devaluation of the Zimbabwe dollar and the high levels of exploration activity. The SAP contributes to an improved policy environment, reflected in the increased exploration activity, while the weaker currency inflates export earnings.

Mining production

Year	Z$m	US$m
1980	415	645
1981	394	572
1982	383	506
1983	470	465
1984	547	440
1985	630	390
1986	700	420
1987	815	490
1988	986	550
1989	1,197	567
1990	1,337	550
1991*	1,700	520

*Forecast

Source: Central Statistical Office

Mr Elias Ngugama, in his presidential address to the Chamber of Mines in May, said foreign currency shortages were the biggest single constraint on increased production in the industry. Now the government has introduced an Export Retention Scheme, whereby foreign exchange earners in the industry will be able to retain 5 per cent of such earnings. This should free managers to spend their time more constructively than hunting down foreign exchange, while decreasing plant downtime as money becomes available to replace antiquated equipment.

Other beneficial moves from the government include the liberalisation of import licensing, more generous dividend remittance allowances and moves towards commercialising the activities of the mining parastatals, the Minerals and Marketing Corporation of Zimbabwe (MMCZ) and the Zimbabwe Mining Development Corporation (ZMDC). The industry still tolerates the MMCZ, in particular, only under sufferance, but is encouraged by a greater humility on the part of the government about what it can usefully achieve in the industry.

The downside of the SAP is that the removal of price controls has driven inflation up, reflected in cost increases of 36 per cent and 33 per cent, respectively, at Zimbabwe Alloys and Bindura Nickel in their most recent financial years. In most cases, though, the effects of inflation are comfortably offset by the deterioration of the Z$ – about 40 per cent against the US dollar in the year to July – as only the imported component of companies' costs are affected, while the full benefit is obtained on the revenue side.

On the exploration front, Mr Derek Bain of the Chamber of Mines says current levels "surpass vastly anything that has taken place in the last 15 years". Particularly pleasing is that an estimated 45 per cent of the work is being done by new companies, such as BHP-Utah (US), Auridiam (Australia), Africa Gold (Ireland/UK), over and above the extensive activities of established companies such as Anglo American, Rio Tinto and Union Carbide.

Mr Roy Pitchford, managing director of Cluff Resources Zimbabwe, says: "I'm sure very soon you're going to hear some major announcements. There's so much going into it something's got to come up." What must be remembered here, however, is that Zimbabwean mineral deposits are characteristically low grade and high cost to mine. To discover minerals is one thing; to mine them profitably, another. As Mr Nixon observes: "The profits and potential of mining in this country relate to hard work. What they throw away in the world is often what we start with."

The bulk of the exploration activity is focused on gold which remains Zimbabwe's most important mineral, contributing 38 per cent – Z$505.2m – of 1990 mineral production. Annual output is about 17 tonnes, 90 per cent of which comes from 47 mines, with 1,400 small producers accounting for the balance. Lonhro is the largest producer, while Cluff's Freda Rebecca mine is the largest underground operation – 2,120kg in 1990. Mr Pitchford says many of the country's marginal mines are becoming attractive at the present gold price of about Z$1,300/oz.

Nickel is the next largest contributor to Zimbabwe's mining income – 18 per cent or Z$236.1m in 1990. The industry is dominated by Anglo American's Bindura Nickel which made after-tax profits of Z$70.6m in 1990, down from Z104.6m the previous year, on substantially unchanged production of 12,564 tonnes of nickel concentrate. This reflected a decline of about 30 per cent in the average nickel price and sharply higher costs. Significant efforts are under way to find replacement ore bodies, as two of the group's four mines will exhaust their ore reserves within the next five years.

Of Zimbabwe's other important minerals, asbestos production in 1990 of 160,000 tonnes makes Zimbabwe the world's fourth largest producer, while the state-run Wankie Colliery continues to satisfy domestic needs with production of about 5 million tonnes per annum.

Philip Gawith

PLATINUM

Much talk but not very much production

THE platinum deposits on Zimbabwe's Great Dyke, the minerals complex that runs north-south through the country, are surely the world's most discussed. To what extent the talk will translate into production, however, remains a moot point.

The platinum market is at present depressed, and most of the Zimbabwean deposits are being looked at for a second time, having previously been abandoned because of war or poor market conditions.

There are four big schemes under investigation: Delta/BHP-Utah's Hartley project; Union Carbide's Mimosa mine; the Anglo American/Rio Tinto/Plateau consortium looking at the Zinca mine and Anglo American's Unki project.

Collective wisdom in the industry suggests that not more than two of these projects are likely to go ahead. If it were a matter of publicity, BHP-Utah would win hands down. In reality, though, the Mimosa project looks the most likely to get started. This makes sense because back in the early 1970s Union Carbide produced platinum at the Selous (now Hartley) and Mimosa deposits. War and an unfavourable exchange rate (Z$1: US$1.44) put a stop to mining, says Mr Rodney Banks, managing director of Union Carbide in Zimbabwe, but they held on to Mimosa believing it had the better mining potential.

Mr Banks says he is optimistic that the Mimosa mine will get the go-ahead, in principle, in September. This will be followed by a detailed costing exercise, to be completed by mid-1992, after which the project should get started. Mr Banks says he believes, notwithstanding the present low price, that they have "a viable proposition".

He says recent investigations have satisfied them that the mine can be "quite highly mechanised", and hence low cost, and that they will get the required recoveries on the final smelt.

The mine would produce about 75,000 ounces of platinum a year (Johnson Matthey estimate 1990 world platinum supply at 3.73m ounces), with about 40 years' reserves. The project could come on stream by 1995, probably at a cost of about Z$500m.

At the Hartley project BHP-Utah are involved in the second stage of underground drilling, with a revised feasibility study due for completion by October next year. BHP-Utah have said the mine would cost between US$200-250m to develop, producing about 2m tonnes of ore per year, with a life of about 20 years.

At the Zinca project, the work is being done by Plateau, who have access to drilling previously done by Anglo and Rio Tinto who have pooled their claims. Mr Bill Smart of Anglo American says there is more drilling to be done and any decision is still some way off. At Unki the shaft has been dewatered and trial mining is under way in an effort to establish the size of the ore body and how best to mine it. Mr Smart said the odds were probably against the project going ahead, given the low grade of the deposits and relatively high costs compared to existing production in South Africa, the world's largest producer.

Philip Gawith

Philip Gawith looks at the flourishing tourist industry

Victoria Falls is the main attraction

Victoria Falls – Africa's grandest tourist destination

IT MAY sound like a cross between chewing gum and a cough remedy, but CHOGM (pronounced "choagam") – the biennial Commonwealth Heads of Government meeting which takes place in Harare in October – dominates the public agenda in Zimbabwe.

It is also why Victoria Falls, Africa's grandest tourism destination, looks like a building site. The Commonwealth grandees are repairing there for a weekend retreat, hence the furious construction activity at the airport – passengers enjoy the novel experience of having their baggage delivered in the car park – and at the new 276-room Elephant Hills hotel where the delegates will stay.

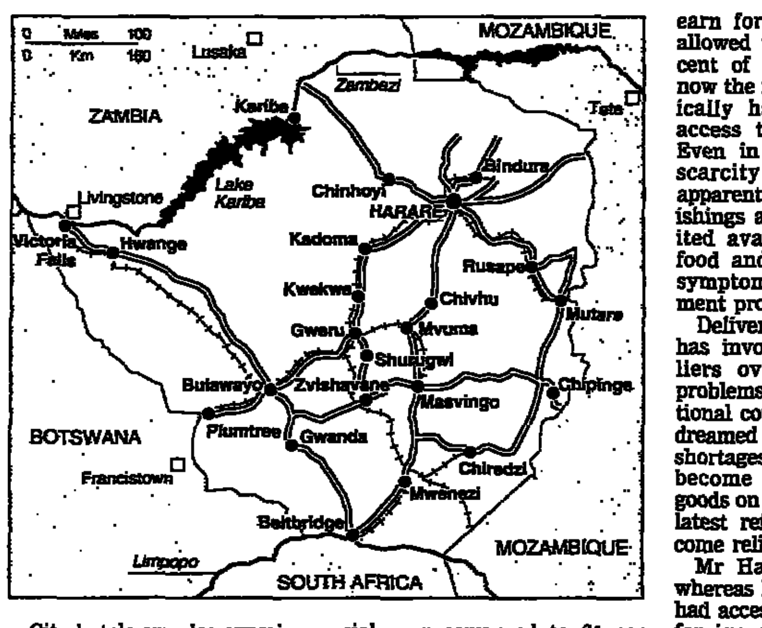
The Elephant Hills, it should be added, is not just any old hotel. Initially opened in the early 1970s, it was soon the victim of a mortar attack during the war for independence. The same guerrillas who shot it up are now the government who have chosen it as a showcase exhibit during CHOGM, as well as conferring generous foreign currency allowances so that no luxury is spared. This accounts for the tendency in some quarters to aggrandise the project as some kind of symbol of reconciliation and renewal.

As far as renewal goes, they may have a point. Although CHOGM is a short-term focus of events, the expansion under way at Victoria Falls – another new hotel opened earlier this year – is really catering for longer-term growth. Mr Ken Lyell, general manager of the timelessly gracious Victoria Falls Hotel, says tourism at the Victoria Falls "has just gone crazy. We're full every night. There is no quiet night, no quiet month." He welcomes the Elephant Hills development as filling a yawning gap in the conference and incentive travel market.

The extravagant good health of Victoria Falls is both symptom and cause of a general feeling of well-being in Zimbabwe's tourism industry. While it is true that foreign visitors who cannot get accommodation at the Falls are likely to skip Zimbabwe altogether, it is also true that once there, they tend to want to see a little more of the country.

In terms of resort tourism, the most obvious beneficiaries are Lake Kariba and Hwange National Park which normally form part of a foreign tourist package.

Kariba actually receives enormous support from Zimbabweans themselves (compared to the Falls where they are heavily outnumbered by foreigners and regional visitors) as do other well-known attractions such as Great Zimbabwe and the Eastern Highlands which are off the flight routes most foreigners take. Tourism statistics indicate that occupancies are rising steadily, from 33 per cent in 1983 to 47 per cent in 1990, and total arrivals in 1990 are estimated at 550,000 plus, compared to 466,000 in 1989.



City hotels are also experiencing good times. Meikles, the famous Harare hotel, is spending Z$120-150m expanding from about 190 rooms to 330 rooms. According to Mr Kei Hansen, general manager, the buoyancy reflects Zimbabwe becoming better known, its image of political stability compared to other countries on the continent, and the fact that hotels are now starting to earn a good return on their investment.

A shining example of this is the Zimbabwe Sun group, the country's largest hotel chain, which made Z$32m attributable profits in the year to March, having been in a loss position as recently as 1988, and for most of the preceding 15 years. Mr Alistair Wright, managing director, attributes this to the improved security climate in the country and, crucially, the government's recognition that sales to international visitors be recognised as exports, and hence not subject to price control.

Previously prices had been artificially depressed by government controls. Now a two-tier pricing structure prevails whereby locals pay fairly low prices while foreigners have to pay dearer prices, in foreign currencies. Thus, as at August 18, a Zimbabwean would pay an effective US$50 for a twin room at the Victoria Falls Hotel compared to US$95 for a foreign visitor.

Now that the industry's prices are at a more acceptable level, the focus is on increasing occupancies. Success is already evident with the Zimbabwe Sun group achieving in excess of 73 per cent so far this financial year compared to 64 per cent last. July occupancies were 78 per cent. Mr Wright says the main growth potential is in the international market, pointing out that Zimbabwe attracts a fraction of 0.1 per cent of the international market. "A small swing in our favour floods our infrastructure." At the moment Zimbabwe only has about 2,500 rooms which are above three-star standard.

Government assistance to the industry has not been limited to deregulation of prices. It also extends to relaxation of import controls and includes allowing those operators who earn foreign exchange being allowed to keep up to 7.5 per cent of these earnings. Until now the industry has been critically hampered by lack of access to foreign exchange. Even in the best hotels this scarcity remains painfully apparent in terms of tired finishings and furbishments, limited availability of imported food and drink, and general symptoms of severe procurement problems.

Delivering a quality service has involved Zimbawe's hoteliers overcoming Herculean problems which their international counterparts have never dreamed of. Foreign exchange shortages have forced them to become adept at obtaining goods on the black market. The latest reforms will bring welcome relief.

Mr Hansen estimates that whereas last year Meikles only had access to about Z$22,000 of foreign exchange, this figure should rise to about Z$900,000 in the first year of the new scheme. These reforms are symptomatic of the increased esteem the industry enjoys with the government which had previously ignored its considerable foreign exchange earnings capacity.

Zimbabwe tourism also stands to gain from South Africa's re-integration into the international community. The past few months have seen a huge increase in the number of airlines arriving at Jans Smuts airport in Johannesburg and Mr Wright is surely correct in anticipating that those who have made the long haul would like to see the region rather than South Africa alone.

A burgeoning part of the tourism industry is the small operators who offer valuable "add-on" experiences – the additional activities which provide variety to enliven the stay at more established resorts or which exist in their own right. The best known examples of these are canoeing trips and white-water rafting on the Zambezi.

Both have done well, but remain immature in the sense of sometimes appearing to be subject to only the most rudimentary controls. Tourists need to be wary of operators whose credentials don't extend beyond possessing the proverbial Land-Rover, tent and dog.

FINANCIAL TIMES
COMPANIES & MARKETS
Friday August 30 1991

INSIDE

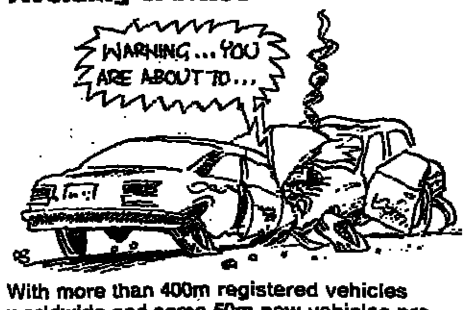
German chemical group results diverge

The three German chemical giants BASF, Bayer and Hoechst diverged significantly in their performance in the second quarter, reflecting different capacities to exploit growth in Germany and compensate for slower demand abroad. Bayer is the most optimistic – it sees earnings stabilising as its diversification bears fruit. Page 18

Salomon engages Coopers

Salomon Brothers, the Wall Street securities house, engaged Coopers & Lybrand, the accountants, to review the firm's securities trading operations and asked Lord Young, the former UK cabinet minister and current Salomon board member, to head a new compliance committee. Page 20

Avoiding crashes



With more than 400m registered vehicles worldwide and some 50m new vehicles produced each year, the potential market for electronic systems which warn drivers they are about to crash is enormous. Della Bradshaw looks at the competing systems. Page 21

Fujitsu moves into US group

Fujitsu, the Japanese computer company, has paid $40.2m to acquire a 44 per cent stake in Hal Computer Systems, a start-up California-based company. Page 18

Gulf war hits Israeli banks

Israel's top three banks have recorded a drop in profits in the first half of this year, in large part reflecting the impact on the economy of the Gulf war and tightening margins. Page 20

Ferranti arm sold for $15m

Ferranti International has disposed of the warheads and explosives business of its US-based Marquardt to M.A. Acquisition of California for $15m. The business is only a small part of Marquardt, which Ferranti would like to sell. Page 23

Market fall hits Slough Estates

Slough Estates, the fourth largest UK property group, yesterday reported a 41.5 per cent fall in taxable profits. It made provisions which reflect a deterioration in the UK property market. Page 22

High margins on granite

Despite difficult economic conditions and a price war in the 1991 financial year, South Africa's biggest producer of granite, Keeley, saw a profit margin of 25.5 per cent. Prospects look good, with the company expecting to grow by 6 per cent a year. Page 26

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Chief price changes yesterday

FRANKFURT (DM)

Rises			
ndustrie Werke	324.5	+	11
losenthal	286	+	14
Yella Pref	676	+	10.5
Falls			
sko	875	–	11
eiersdorf	745	–	15
ahmeyer	925	–	10

NEW YORK ($)

Rises			
ankAmerica	44	+	$\frac{5}{8}$
hemical Bank	$28\frac{5}{8}$	+	$\frac{1}{2}$
Falls			
ty National	$12\frac{1}{2}$	–	2
uke Power	$29\frac{3}{4}$	–	1
Focus Sys	$11\frac{5}{8}$	–	$1\frac{5}{8}$
earchers Labs	$8\frac{3}{4}$	–	$1\frac{3}{4}$

ew York prices at 12.30.

LONDON (Pence)

Rises			
ss	997	+	12
dbury Schw	402	+	13
ltern Radio	161	+	8
lphin Pack	139	+	8
uglas (RM)	545	+	30
o Disney	1403	+	18
Accident	551	+	15
stetner	183	+	9
enalls	368	+	11
E	195	+	14
lbroke	279	+	5
gh Ints	325	+	13
MB-Caradon	285	+	10
Natl Power	$157\frac{1}{2}$	+	5
Smith (WH) A	459	+	12
Strong&Fisher	35	+	3
Warburg (SG)	503	+	10
Falls			
Beazer	86	–	5
Booker	469	–	9
Friendly Hotels	276	–	9
Grovewood	20	–	4
Yorkshire TV	195	–	$9\frac{1}{2}$

PARIS (FFr)

Rises			
BIC	770	+	16
Hachette	193	+	8
Immobanque	660	+	20
Merlin-Gerin	540	+	18
Schneider	757	+	36
Falls			
Chargeurs	809	–	16

TOKYO (Yen)

Rises			
Hitachi Elec	1350	+	120
Kurabo Inds	790	+	81
Nippon Kinzoku	584	+	47
Tokyo Elec	2730	+	210
Falls			
Fujita Tourist	1660	–	150
Kyoei Sangyo	1010	–	80

German group expects no increase at year-end despite first-half improvement

Daimler-Benz warns of profits standstill

By Christopher Parkes in Bonn

DAIMLER-BENZ, the German engineering group, said yesterday that it expected no increase in profits this year.

Reporting a sales rise of 9 per cent and a 5 per cent improvement in after-tax profits for the first half, it forecast that net income for the full year would only "reach last year's level" of DM1.76bn ($1bn).

Turnover for the full 12 months was expected to increase to DM95bn from DM85.5bn "in view of generally well-filled order books", the company added.

A strong first-half performance at home, led by the Mercedes-Benz vehicles division, offset declines outside Germany. Group sales in the German market rose to DM21bn from DM16.4bn to account for almost half total turnover of DM44bn. Profits after tax were DM880m compared with DM840m last time.

Sales of passenger cars and commercial vehicles totalled DM32bn compared with DM29.5bn in the first half of last year.

Mercedes-Benz accounted for 71 per cent of consolidated group sales, the AEG electronics and appliances arm for 15 per cent, Deutsche Aerospace for 10 per cent, and the new software business, Debis, for 4 per cent.

Helped by the newly-launched S-class, medium-range, and the SL convertible, unit sales of passenger cars increased 2 per cent to 290,000 vehicles. Almost 150,000 of these were registered in Germany – 17 per cent more than in the first six months of 1990.

Car sales in Italy rose 9 per cent. However, deliveries in the US, hit by special taxes on cars costing more than $30,000, slumped 24 per cent. Sales in Japan held up well in spite of a 16 per cent fall in new-car registrations, but it fell in most European markets.

The company plans to produce 570,000 passenger vehicles this year, unchanged from 1990. Conditions in the commercial vehicles market, however, have encouraged it to boost output of trucks, vans and buses by 14 per cent to 295,000 units. The Latin American market has made a marked recovery, although registrations in Europe and the US fell in the first half.

The group said it would maintain its heavy investment programmes, focusing most of the DM6.5bn planned capital spending for 1991 on passenger cars.

Ladbroke in £464m cash call

By Jane Fuller in LOndon

LADBROKE GROUP, the UK leisure company, yesterday ended weeks of speculation by launching a rights issue to raise £464m ($785.5m), the fifth largest so far this year in the London stock market.

Ladbroke will use the proceeds to reduce its £1.6bn debt and continue expansion of its Hilton International hotel chain.

The rights issue was announced along with interim results, which showed a 38 per cent drop in taxable profit from £158.2m to £98.2m in the six months to June 30.

Mr Cyril Stein, Ladbroke's chairman, said the figures would have been ahead without the effects of the Gulf war.

Ladbroke's one-for-four issue was priced at 220p, compared with Wednesday's close of 274p. Stock market approval was signalled yesterday by a 5p rise to 279p.

The group, which runs Britain's largest chain of betting shops and hardware stores as well as hotel and property divisions, made virtually no profit in the first quarter, according to Mr Stein.

He said the Gulf crisis had knocked £75m off Hilton International's taxable profit late last year and early this year.

There was relief in the City of London both that the rights issue had materialised after persistent rumours, and that the group's balance sheet was being strengthened.

Net debt had grown from £1.5bn to £1.6bn, debt-equity gearing of 61 per cent, over the six months. Gearing should be reduced to 35 per cent by the issue.

Group turnover fell from £2.03bn to £1.96bn in the first half. Earnings per share fell to 8.18p (13.07p), covering the increased dividend of 4.92p (4.68p) only 1.66 times.

The first-half interest charge of £53.3m was nearly as high as the £60.3m total for the whole of 1990. This year the group is capitalising £45m interest, compared with nearly £88m last year.

Lex, Page 16

David Churchill on Ladbroke's gamble with Hilton International

Chairman who sees hotels as a sure bet

WHEN Mr Cyril Stein opened the renovated Langham Hilton hotel in central London last spring he could have been forgiven for feeling that it was a gamble that had not paid off.

The Langham had been rebuilt at a cost of £80m as the flagship for the Hilton International chain, cornerstone of the Ladbroke Group of companies, embracing hotels, betting shops, and do-it-yourself retailing.

The opening of the Langham coincided with the worst period ever for the international hotel industry and Ladbroke in particular. The combination of the Gulf war and recession had reduced Hilton hotel occupancy outside the US (Ladbroke only owns the international operations) to about half the normal level of about 60 per cent.

The result was a £60m slump in its interim pre-tax profits announced yesterday, a creditable performance after Ladbroke admitted the group earned "virtually no profits in the first three months of the year".

Mr Stein, Ladbroke's chairman, maintained yesterday he was unfazed by opening the Langham at such a bad time. "It wasn't a risk," he insists. "The hotel has been trading above our expectations and we could probably sell it tomorrow for twice the amount it cost us to renovate."

His optimism was reflected in yesterday's £464m rights issue which he says will boost the company's balance sheet and provide the flexibility to buy more hotels.

The rights issue, coming after such a poor six months for the group, contains risks which would make even Ladbroke's bookmakers uncertain of the odds of its success.

Mr Geoff Parkinson, a director of Horwath Consulting, the international hotel consultants, says the business travel market has yet to match last year's levels. In London, Horwath's figures show that the top business traveller hotels could only achieve an average room occupancy of 69 per cent in June, compared with 86 per cent last year.

LADBROKE RESULTS
Six months to June (£m)

	1991	1990
Turnover	1,964.7	2,027.0
Pre-tax profit	98.2	158.2
Turnover and profit by activity		
Hotels		
Turnover	380.9	403.8
Profit	78.2	76.0
Racing		
Turnover	1,228.2	1,262.9
Profit	45.0	58.6
Retail		
Turnover	318.9	279.7
Profit	23.7	17.9
Property (net of interest)		
Turnover	36.7	80.6
Profit(Loss)	(12.6)	32.0

*Other than property, profits are shown before interest

Unlike the Bass Group, whose Holiday Inn hotel operations only account for a fifth of pre-tax profits, Ladbroke relies on Hilton to provide 60 per cent of its funds. Ladbroke would have been hard-pressed to maintain this ratio in its latest interim results if hotel profits of £78.2m – up from £76m at the same stage last year – had not been boosted by the sale of the Hilton hotel at Manchester Airport, netting a £25.6m profit.

Ladbroke's hotel strategy, however, was firmly in place in 1987 when it acquired the Hilton International chain for £645m. This gave Ladbroke the sort of international brand name it craved – Hilton being, along with the Ritz, one of the world's most well-known hotel names – and brought for Mr Stein the big-company identification which its previous mixture of hotels, bingo halls, holiday camps, snooker halls, health clubs, electrical retailing and casinos had failed to provide.

This jumble of leisure operations nearly came crashing down around Mr Stein when, in 1979, Ladbroke lost its casino licences in London's West End in circumstances which even now many in the company find difficult to talk about. Casinos then time provided half the group's profits.

It was these dark days which forced Mr Stein to reshape the group radically before the move into international hotels.

Mr Stein maintains that spreading the hotel chain across 46 countries lessens the risks posed by national recessions. He has targeted business cities such as Berlin, Madrid and Frankfurt, but does not rule out some small-chain acquisitions as well.

Hotels are only one problem for Mr Stein: the group's betting operations – it has the largest high street chain of bookmakers as well as owning Vernons pools – have been squeezed by the recession. "People who used to bet £500 or £1,000 are now only betting £50 or £100," complains Mr Stein.

Monopoly considerations rule out any large moves in the UK – it was unable to bid for the Coral bookmaking chain which Bass was recently seeking to sell – so it has turned its attention to the US and continental Europe. Ladbroke recently gained exclusive off-track betting rights in the US state of Minnesota, operating huge tele-betting theatres.

Some analysts are convinced the Texas do-it-yourself retail chain is being fattened up for sale, although Stein vigorously denies this. Aggressive marketing and price discounting helped Texas increase trading profits when other DIY retailers were under pressure, making it look an attractive proposition.

The rights issue puts Cyril Stein under starter's orders to expand

Yet probably the key question mark over Ladbroke's future hangs over Mr Stein himself. Now 63, he says he has no plans to retire. "I'm still enjoying myself too much," he says and few Ladbroke-watchers expect him to bow out early. But late last year he strengthened his senior management considerably by appointing 48-year-old Mr Peter George, head of the racing division, as joint managing director (with himself) as well as one of three vice-chairmen. Finance director Mr Jerry O'Mahony, 44, was also made a vice-chairman.

Ladbroke declines to take bets on which of the two may eventually succeed Mr Stein.

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VW sales fall 30% in US

By Christopher Parkes in Bonn

RECESSION and increasing competition slashed the Volkswagen group's vehicle sales in the US by 30 per cent to 58,565 units in the first six months of the year, the company said yesterday.

Depression in European markets other than Germany caused a 16 per cent downturn in volume sales of the VW, Audi and Seat marques. Britain, where deliveries fell 30 per cent and France, down 27 per cent, were particularly hard-hit.

However, a 62 per cent rise in sales in Germany – from 443,000 to 717,000 vehicles – helped the German automotive group hold its ground with a 12 per cent increase in first-half turnover and a 1.2 per cent rise in profits after tax.

Confirming sales of DM39bn ($22bn) and profits of DM433m for the first six months (announced at the group's annual meeting last month), the company claimed in its interim report that advances at home had increased its share of the former west German market by 0.9 per cent to 27.9 per cent over the period. There are still no reliable figures for the new German Länder.

The company also claimed a 16.5 per cent share of the overall western European market – up from 15.2 per cent last year. Taking sales of the newly acquired Skoda business into account, the share was 16.7 per cent, VW added.

Deliveries in Mexico rose 12 per cent to more than 76,000 vehicles, maintaining the group's market leadership. However, the Autolatina subsidiary in Brazil is still suffering in the poor economic climate.

Plagued by strikes and consequent wage rises of around 80 per cent, renewed inflation running at 40 per cent, and government price controls, the company is selling cars at prices which do not cover costs.

Autolatina's volume sales, however, rose 8 per cent to 112,000 vehicles.

Brent Walker inquiry shifts to Europe

By Robert Peston and Andrew Bolger in London

THE investigation by the British Serious Fraud Office into Brent Walker has extended to the troubled UK leisure company's offices in Paris and Amsterdam.

The SFO is examining material removed from Brent Walker's offices in the two cities as part of its inquiry, which is likely to last many months.

Details of the international scope of the investigation emerged as Brent Walker's board met yesterday afternoon in the offices of Simmons & Simmons, the City of London solicitors, to discuss the crisis.

In an unrelated development, it also emerged that the published value of Brent Walker's net assets has fallen yet again and now stands at close to zero.

Brent Walker has at last prepared its audited accounts for the year to December 31, 1990. These are expected to show a different net asset value from the unaudited figure of £139m ($234.9m) published in May as part of its preliminary results.

A footnote to the May accounts said that the £139m figure was based on a £352m valuation of certain development properties made by the directors. However, it also said that the chartered surveyors, Weatherall, had valued the same properties at £249m.

It is understood that some Brent Walker directors would have preferred to incorporate the lower number in the accounts, but they were blocked by Mr George Walker, who was then chief executive of the group.

He was deposed as chief executive at the end of May. Brent Walker's board has now decided to use Weatherall's lower valuation in the accounts, wiping more than £100m from the net asset value.

However, this is unlikely to come as much of a shock to Brent Walker's 47 banks, who have yet to sign an agreement to rescue the troubled leisure group from collapse.

The banks have carried out their own estimates of Brent Walker's net assets and are convinced that the true value on current sale prices for properties would be a huge negative number.

At the end of December 1989, Brent Walker's joint auditors, Leigh Carr and KPMG Peat Marwick, approved accounts showing the group had net assets of £857m.

An unaudited figure published in the summer of last year, showed this had risen to £1bn by mid-July 1990.

As yet, there has not been a clear explanation of how this £1bn figure was completely wiped out by the end of 1990, just a few months later.

Claims push GRE deeper into red

By Richard Lapper in London

AN INCREASE in insurance claims from motor accidents, theft and subsidence pushed Guardian Royal Exchange, the UK composite (general and life) insurer, deeper into the red at the halfway stage.

GRE reported pre-tax losses of £88m ($148.7m) in the six months to end-June, up from £38m in the first half of 1990. The company maintained the dividend at 4.4p.

The results were better than expected and the markets responded favourably to signs that GRE's new management was increasing premium rates and controlling expenses. GRE shares rose 14p on the announcement to close at 195p.

Mr Sid Hopkins, chief executive, Mr James Morley, finance director, and other senior executives were appointed last year.

Worldwide underwriting losses of £248.7m (£220.1m) were offset by investment income (less interest payable) of £148.2m and a surplus on life insurance business of £12.6m.

As with its competitors' performances, GRE's results were dominated by higher underwriting losses which rose to £179.5m from £57m in the first six months of 1990. Subsidence claims rose from 800 to 1,900, with costs rising more than 100 per cent to £22m.

Household and car thefts rose more than 50 per cent and the costs of car theft nearly doubled to £22m. Claims from mortgage guarantee business increased to £8m.

Underwriting losses from motor accidents rose to more than £70m, £27m higher than 1990, with the average cost of claims rising to £1,000 compared with £900 a year ago. Claims frequency increased with more than one in five motorists insured by GRE claiming each year.

Motor premium income fell from £131m to £114m – about 20 per cent of GRE's total UK income. GRE now has 786,000 policyholders compared with 950,000 a year ago and half as many as in the mid-1980s.

Mr Sid Hopkins, chief executive, attributed this decline to premium increases (up by a cumulative 30 per cent during the past 12 months and aggressive competition from direct writers, who sell insurance using mass marketing and telephones.

To date GRE has not participated in direct writing in the UK. However, the company's Irish subsidiary, the New PMPA, conducts a direct writing operation which was "transferable" to the UK, according to Mr Hopkins.

PMPA's underwriting loss was reduced to £10m compared with £27m in the first six months of last year, pushing the company £3.5m into the black.

Mr Hopkins said central overheads had been lower, reducing the expense ratio by 2 per cent.

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Williams interim pre-tax profits up 26%

By Roland Rudd in London

WILLIAMS Holdings, the UK industrial conglomerate, yesterday reported a 26 per cent increase in first-half taxable profits before exceptional and extraordinary items to £76.5m ($128.5m) from £60.5m.

The profit increase, on the back of a small increase in sales from £446.7m to £470.6m, was buoyed by the group's £404m takeover of Yale & Valor in March, the locks and domestic appliances group.

Trading profits from retained businesses, excluding Yale & Valor, still rose by 15 per cent to £68.4m. Earnings per share edged up from 10.8p to 10.9p.

Operating margins on retained businesses increased from 15.5 per cent to 17 per cent. Mr Nigel Rudd, chairman, said Yale & Valor's margins of 11.1 per cent, would be increased by the year-end to around 15 per cent after his special operations team had time to reduce costs.

Mr Rudd said he was pleased to increase both earnings per share and operating margins when the economic conditions were as unfavourable as the group had ever encountered.

The result, which was better than expected, pushed Williams's shares up 3p to close at 345p. The interim dividend was increased by 5.3 per cent to 5p.

Industrial and military products achieved record sales and profits, boosted by a strong order book with the Far East.

Consumer and building products were hit by depressed European construction sales and a downturn in home furnishings, which is not expected to improve until the housing market recovers.

S-E Banken sees no further credit losses this year

SKANDINAVISKA Enskilda Banken said yesterday it would not incur any further credit losses this year despite the financial crisis involving the companies of Mr Erik Penser, the Swedish financier, writes John Burton in Stockholm.

S-E Banken predicted in June that its credit losses for the year would reach SKr1.9bn ($298.7m), equal to the amount it had reported in 1990.

S-E Banken last autumn led the 14-bank consortium that provided SKr14.8bn in short-term loans to Gamlestaden, the finance company linked to Mr Penser. It has now assumed control of Gamlestaden and will conduct a "orderly" liquidation of its activities over the next two years.

Elsevier 9% ahead in first half

By David Brown in Amsterdam

ELSEVIER, the Dutch publisher, yesterday revealed a 9 per cent rise in first-half profits and plans to integrate its US property market database, Elsevier Realty Information (ERI), with that of TRW, the diversified US technology group.

The venture, to be formally announced next month, will be 60 per cent-owned by TRW. It will have annual sales of some $100m, said Mr Erik Ekker, Elsevier spokesman, who added that ERI is emerging from a period of losses to break even on annual sales of $40m.

"Given the present difficulties on the US property market," said Mr Ekker, "we hope the joint venture with TRW, combined with reorganisation plans, will lead to a substantial improvement in results in the coming years."

Meanwhile, Elsevier's pre-tax profits in the first half advanced to Fl 195.7m ($99.8m) from the Fl 178.5m in the corresponding period last year. Sales rose by 5 per cent to Fl 1.08bn.

Although growth in advertising revenue was described as "sluggish", the group was able to compensate with price increases, cost containment and higher subscription revenues.

The sale of shareholdings in Wolters Kluwer, of the Netherlands, and Pearson, the UK banking and publishing group which owns the Financial Times, resulted in lower earnings from associated companies but higher interest revenue.

Pergamon Press, the UK scientific publisher, acquired with effect from May, made a limited contribution to earnings in the first-half.

However, Pergamon's results have been "even more favourable than expected," said Mr Ekker, and Elsevier's forecast of a 10 per cent rise in 1991 per-share operating income is now seen as conservative.

Elsevier had net operating income of Fl 5.32 per share last year.

● VNU, the Netherlands' leading publishing group, reported its first-half net profit slipped 35 per cent to Fl 51.1m on virtually unchanged sales of Fl 1.25bn.

This result, as well as its forecast of a 22 per cent slump in full-year earnings from the Fl 146m achieved in 1990, was in line with earlier forecasts.

Delta Air aims for more routes to Europe

By Nikki Tait in New York

DELTA Air Lines, which has agreed to buy a large parcel of assets from the bankrupt carrier Pan Am, said yesterday it hoped to add services to 23 cities – mainly in continental Europe – on November 1.

This is the date on which the carrier, the third largest of the US airlines, plans to begin operating the transatlantic routes that it is buying from Pan Am.

According to Delta, the aim is to operate 195 round-trip flights each week across the Atlantic from November onwards, compared with 92 weekly round-trips in October.

However, Delta's acquisition of the Pan Am assets – which included all the bankrupt carrier's remaining European routes and its East Coast Shuttle in the US – still requires regulatory approvals from the US Department of Transportation and the European Commission.

Yesterday, Mr Ron Allen, Delta's chairman, said he did not anticipate any problems with the EC, and the airline hoped such approvals would be secured by October 1.

Mr Allen also unveiled the Delta Shuttle operation, which will start operating this weekend. He suggested that, apart from the change in name, the operation will be similar to that run by Pan Am, although he added that new aircraft might be introduced in the future.

Northwest buys four Airbuses

NORTHWEST Airlines, the fourth largest US carrier, announced yesterday that it was buying four Airbus A340 aircraft and taking options on another six in a deal worth $1.4bn, Reuter reports.

The US airline is the European consortium's biggest client and will be the first to use the A340, on its trans-Pacific routes. The order is in addition to 20 A340s ordered by Northwest.

The US airline has also ordered 16 A330 two-engined airliners and 100 A320 medium-haul aircraft of which 20 have been delivered.

The company has also agreed to buy 30 A321s, the stretched version of the A320.

So far Airbus has concluded 247 sales of the A330-A340 range of aircraft, with 465 options.

Northwest added that it had secured options on two additional Boeing 747-400 aircraft valued at $340m.

Fujitsu takes44% stake in US start-up

By Steven Butler in Tokyo

FUJITSU, the Japanese computer company, has paid $40.2m to acquire a 44 per cent stake in Hal Computer Systems, a start-up Californian company, in an effort to develop computer products for business applications.

Fujitsu said it had decided to back the company because of what it said were Hal's promising ideas on computer architecture using the Unix operating system. Unix is typically used for engineering applications, but Fujitsu said Hal would develop computers for general business use, including computers for handling databases.

Hal will have access to Fujitsu's semiconductor technology, its patent portfolio, systems designs and sales network.

Hal was established in May 1990 by Mr Andrew Heller, chairman, a former International Business Machines employee involved in developing IBM's RS/6000 engineering workstation. The company was named after the computer in the film 2001: A Space Odyssey.

Allianz seeks eastern expansion

ALLIANZ, the insurance group, said it is holding talks with the Treuhand, the privatisation agency, about the purchase of the 49 per cent it does not already own in eastern German insurer Deutsche Versicherungs, Reuter reports.

"(The purchase) is only a matter of the price," Mr Wolfgang Schieren, the management board chairman, said.

He said Allianz did not expect to pay the same amount for the 49 per cent stake as it paid the 51 per cent it holds. Industry estimates put the price of the 49 per cent stake at some DM270m. ($154.2m).

Chemicals groups' results vary as recession bites

By Katharine Campbell in Frankfurt and Charles Leadbeater in London

THE THREE German chemicals giants – BASF, Bayer and Hoechst – diverged in their performance in the second quarter, reflecting their capacities to exploit growth in Germany and compensate for slower demand abroad.

BASF reported a better-than-expected 3.3 per cent advance in pre-tax profits for the quarter, in stark contrast to Hoechst where earnings slumped by 34 per cent.

Bayer on Wednesday stated that it had suffered a 1.4 per cent decline in pre-tax profits in the second quarter, compared with the same period last year.

The three are suffering from the recession in large export markets, notably the US, and from price competition in many areas of their business in Germany and in export markets.

The results have exposed the companies' abilities to cope with the pressures besetting them.

At both Bayer and BASF, the second quarter was an improvement on the first. At BASF, pre-tax earnings were DM920m ($526m), up from DM632m in the first three months of the year, on an increase in turnover from DM11.4bn to DM12bn.

Pre-tax earnings for the first half were down across the board compared with 1990. But the declines varied from 3.2 per cent at Bayer and 10.6 per cent at BASF to 22.3 per cent at Hoechst.

Hoechst's particularly steep fall in second-quarter earnings to DM591m from DM896m was partly due to its greater dependence on plastics and fibres, where excess capacity in the industry has sharpened price competition in the face of weak demand.

Hoechst Celanese in the US has a large fibre operation supplying to the recession-bound automotive and construction industries.

The company also said that other western European markets had continued to worsen during the year, with east European business 20 per cent below the 1990 level.

Its drugs division, where sales have climbed 10 per cent between April and June, does not make as significant a contribution to earnings as is the case with Bayer's highly profitable line.

BASF was also buoyed by its oil and gas business, which enjoyed a 27 per cent increase in turnover to DM3.3bn in the first half.

This increase offset falls in turnover in every other business segment – plastics and fibres, dyestuffs and basic chemicals.

Turnover in agrichemicals increased by 3 per cent to DM2.9bn.

Mr Max Kley, a BASF executive director, said BASF would continue to cut costs and consider the disposal of underperforming businesses.

Mr Kley said the outlook was uncertain because the group's strong performance was driven by the special economic factors of German reunification. He said that the order intake during August showed slight signs that the US was emerging from recession.

Nevertheless, Mr Kley said that BASF would only match its year performance for 1991 with that for 1990 by making a big effort to focus the group on its most efficient businesses and to reduce its fixed costs.

Bayer is the most optimistic of the three. It looks forward to earnings stabilising as its diversification efforts begin to bear fruit.

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GERMAN CHEMICAL COMPANY RESULTS

	Bayer DMbn	Change %	Hoechst DMbn	Change %	BASF DMbn	Change %
Pre-tax profit						
2nd quarter	1.07	-1.4	0.59	-34.0	0.92	+3.3
1st half	1.95	-3.2	1.41	-22.3	1.55	-10.6
Turnover						
2nd quarter	11.42	+6.0	11.97	+5.2	12.04	+4.9
1st half	22.20	+2.0	23.20	+3.5	23.50	+0.6

Source: Company reports.

Milan tries to unravel the complexities of a scandal

LAST August, the collapse of a small financier paralysed Italian equities for weeks. This year's summer scandal, involving L100bn ($76.3m) in "missing" shares, has already triggered two brokers' insolvency and the postponment of today's scheduled bourse settlement day for August.

The insolvencies may also affect the September account, which began in mid-August, although brokers say the winding-up process for their two colleagues should also cover September transactions. Yesterday, Misafin, a small Milan finance house involved in the affair, also faced a financial crisis.

Bourse scandals are nothing new in Milan. But the latest, which no one really understands, has gripped the market because of its size, complexity and the fact that it involves a bank controlled by Mr Carlo De Benedetti.

It also comes just as the country's stock markets start belated reforms to shake off their image for inefficiency and sharp practice. Quirks like tiny, undercapitalised brokers, which can intermediate in billions of lire worth of deals, and a four-week account period – with settlement taking up to six weeks – are just two of the current oddities.

The details and motives behind the latest scam remain opaque. Suspicions were aroused in July, when Duménil Leblé, the financial institution owned by Mr De Benedetti's French holding company, Cerus, bought Geneva-based Assets Development Bank (ADB), which it then merged with its existing Swiss private banking operation to form Banque Duménil Leblé (Suisse).

Despite a clean bill of health from the accountants, Duménil Leblé says it soon discovered that two ADB employees had been involved in alleged irregularities involving Italian equities which had been cleared through ADB

Clearing through Switzerland is not unusual for Italian shares, as it gets round Italian stamp duty. However, the reasons in the present case were much more complex.

Apart from receiving regular monthly clearing instructions from its client, Dominion Trust, a Turin-based financial group not linked to the Canadian financial services group of the same name, Duménil Leblé says ADB also received a list of identical shares from a number of brokers and finance houses.

The shares were ostensibly being used as collateral against loans during the monthly account period – a commonplace practice in Milan – although no money changed hands. According to Duménil Leblé, only the two dismissed ADB employees knew of the second, identical, set of instructions.

The crisis arose following the demand by the two brokers, Montalcini, a small Turin-based firm, and Adorno, a slightly bigger Milan-based brokerage with around 1,000 clients, not to renew the monthly arrangement, but have the shares returned in time for today's scheduled settlement. Duménil Leblé denied having possession of the shares. This week, a Swiss magistrate backed its refusal to deliver any stock.

According to Consob, Italy's stock market watchdog, the brokers' documentation appears in order. However, Duménil Leblé, which informed both Consob and the Swiss of its discoveries on August 20, is sticking to its guns – prompting the crisis.

> The latest Milan scandal, which no one really understands, has gripped the market because of its size, complexity and the fact that it involves a bank controlled by Mr Carlo De Benedetti, writes **Haig Simonian**

Duménil Leblé insists it is the victim of an attempted fraud, and has supported its case with evidence to Swiss authorities. Meanwhile, the two brokers have repeatedly protested their innocence. Privately, many bankers doubt the fraud could have taken place without some broker involvement.

Central to the whole affair is Mr Roberto Caprioglio, the Turin financier who controls Dominion Trust and a string of similarly-named associated companies. Mr Caprioglio is already under investigation by Italian magistrates regarding Banca di Girgenti, a Sicilian bank he bought in 1988 and which was liquidated by the Bank of Italy earlier this year.

Mr Caprioglio is also known in Canada. Mr Dave Edgar, the executive vice-president of The Dominion Trust, the established Canadian financial services group, says he has tried since 1988 to get Mr Caprioglio's firm to change its name.

According to Mr Edgar, Mr Caprioglio's master company, which transferred from Italy to Canada in August last year, shares its name, causing confused identity between the two companies, and his group is investigating the Canadian side.

Some bankers suspect a link between the fate of Banca di Girgenti, closed following the discovery of irregularities in its equity portfolio, and the events in Switzerland. "Shares may have been taken from the bank, manipulated as part of the Swiss fraud, and even used as collateral for loans from other banks", says one banker.

The underlying motive seems to have been to create the impression of exaggerated equity holdings, which could possibly have been used later as collateral against loans from other banks.

It is up to the Swiss authorities and Consob to unravel the mess. Mr Caprioglio, whose passport had already been confiscated following the Sicilian bank investigation, is at liberty. Until Wednesday at least, the two brokers and Misafin had also been going about their business normally.

Whichever way the affair ends, its most important repercussions may already have taken effect. Italy's antiquated stock market rules, which restrict bourse trading to members of the 200-strong Order of Stockbrokers, were already set for change with the introduction of a new form of broking-cum-fund management company called a Societa di Intermediazione Mobiliare (SIM).

The SIMs are set to be dominated by the banks, and a number of bigger brokers have already announced joint ventures with bank partners. The latest events are likely to accelerate their weaker colleagues' demise.

The affair will also increase pressure for shorter settlement, as at most other big bourses. The idea is under consideration, but has so far lagged SIMs and screen-based trading on the list of reforms due to take place.

The latest events should speed up matters. But with many small brokers already fearing for their survival alongside the SIMs, some analysts have warned that the latest scandal may not be Milan's last, at least until reforms take effect.

Plunging trading volumes this year have reinforced the squeeze on small broking firms. With brokers destined for extinction under the reforms, some may be increasingly tempted to take on business they might have thought twice about in the past.

National Bank of Canada recovers

By Robert Gibbens in Montreal

NATIONAL BANK of Canada recorded a turnround in the third quarter, thanks to sharply higher interest margins and good results from its brokerage subsidiary.

Net income was C$39.1m (US$34.2m), or 25 cents a share, up 78 per cent from C$22m, or 10 cents a share, a year earlier.

Return on average assets was 0.42 per cent against 0.23 per cent.

Earnings for the first nine months were C$144.7m, or 94 cents a share, down 5 per cent from C$153.1m, or C$1.05, earlier. Return on average assets was 0.53 per cent against 0.56 per cent. Total assets at July 31 were C$37.2bn, up 1 per cent.

The third-quarter results were better than most analysts had expected.

Retail business was strong, despite the continuing recession. Loan loss provision was doubled to C$90m, partly because of US property exposure.

Non-interest expense was held to a gain of 6.2 per cent, mostly because of continuing automation.

Swire Pacific steady in spite of fall at airline unit

By Angus Foster in Hong Kong

SWIRE PACIFIC, the aviation, *property and trading group* controlled by the Swire family, yesterday announced stable interim profits despite a sharp fall in earnings from Cathay Pacific Airways, which it controls.

Swire said net profits in the six months to the end of June slipped 1.3 per cent to HK$1.08bn (US$139m). The company is *maintaining* its dividends at 23 cents per A share and 4.6 cents per B share.

The *already-announced* 21.8 per cent fall in profits from Cathay Pacific was offset by strong improvements from Swire's *property and industry* divisions.

Swire Properties, which has *switched from* property development to property investment, saw net rental income increase 62.2 per cent to HK$597m. *The industries* division, which includes Coca-Cola bottling in Hong Kong, reported profits "well ahead of *expectations*", the company said.

Mr David Gledhill, chairman, said *the outlook* for the second half of the year was encouraging, especially since Cathay Pacific's results were expected *to* improve.

"The growth seen in investment property income should continue, with higher overall *profits being achieved within* the property division for the full year. Better results are *expected from the remaining* divisions, the industries' division in particular."

Swire is now one of Hong Kong's largest landlords following the switch to property investment in the mid-1980s. Income is set to increase in the second half as two developments come on stream. The company has agreed with China Motor Bus *jointly to* develop two bus depot sites for residential use.

Mr Gledhill said offshore oil *and shipping services divisions* increased profits, while those in the insurance division were stable. The depressed US econ*omy affected* the trading division, where profits declined.

Australian smelter moves into red

By Mark Westfield in Sydney

COLLAPSED lead and zinc prices have pushed Pasminco, the Australian smelting group, *into the red for the year to* end-June. The A$47.6m (US$37.3m) loss follows a A$153.7m net profit in the previous year.

Mr Peter Barnett, group chief executive, warned shareholders yesterday that Pasminco would also post a loss for the current year unless commodity prices improved.

He said Pasminco would not pay a dividend for the year just ended and was unlikely to pay a dividend in the 1991-92 year.

Pasminco is controlled by CRA and North Broken Hill, with each of the mining houses holding a 40 per cent stake. The remaining 20 per cent is in public hands. It was formed in 1988 through the merger of the lead and zinc smelting operations of the two partners.

Revenue for the year fell to $1.57bn from last year's $1.8bn, but *operating earnings* improved at some of Pasminco's sites.

● Renison Goldfields, a Con*solidated Goldfields associate*, yesterday reported a 68.2 per cent downturn in net profits to A$36.4m for the year to end-June.

The Australian mining and processing group blamed the setback on a 30 per cent fall in revenue from its once-booming mineral sands operation, plus depressed commodity prices generally.

Operating profit before tax *and abnormals* also fell 68 per cent to A$55.32m from A$173.8m.

Depreciation increased to *A$91.7m from* A$69.6m the previous year, and the group's interest bill climbed to A$26.4m from A$16.1m.

Mr Campbell Anderson, Renison's chief executive, described the results as "disappointing".

Earnings *per share fell to* 20.7 cents from 69.6 cents, and directors slashed the final dividend to 10 cents from 34 cents last year.

Iscor hurt by weak steel markets

By Philip Gawith in Cape Town

ISCOR, South Africa's largest steel producer, has blamed continued weakness in domestic and international markets for sharply lower profits in the year to June.

Operating profit *for the year* was 29 per cent lower at R796m ($277.4m), although turnover increased by 6.5 per cent to R7.36bn.

Tonnage sold *locally fell* 13.6 per cent *to* the lowest level in 12 years. Exports increased to 47 per cent of total tonnes sold, from 37 per cent last year.

Mr *Marius de Waal, chairman*, said the fall in operating profit had been the result of the lower trading margins, reflecting recessionary economic *conditions. He also* blamed an increase in financing costs owing to the use of borrowings to finance capital *expenditure*.

He said that the 33 per cent decline in attributable earnings, to R617m, was in line with forecasts made at the *interim stage*.

The results continue the unhappy track record of the company since it was privatised in November 1989. *Last* year, *earnings failed to* meet the prospectus forecast.

Earnings per share dropped to 33 cents from 50.1 cents, and *the dividend was cut to 11 cents* a share from 17.6 cents.

● Murray and Roberts Holdings, the diversified South African construction, engineer*ing and industrial* conglomerate, overcame a difficult operating environment to lift attributable earnings by 17 per cent to R180.2m in the year to *June. The company*, which is part of the Sanlam group, said turnover had risen 15 per cent to R4.6bn.

Earnings per share rose by *13* per cent to 500 cents, and the dividend was lifted 18 per cent to 156 cents a share.

Bolar and SmithKline settle action over drug

By Karen Zagor in New York

BOLAR, the US pharmaceuticals *company*, and SmithKline Beecham have settled charges over Bolar's generic version of the UK group's blood-pressure drug Dyazide after more than a year of litigation.

Bolar was accused of deceiving the Food and Drug Administration, the US watchdog, to support its application to produce *a generic version of* Dyazide.

The company, which will *take* a $40m charge against this year's earnings, will pay $22m – in half-yearly instalments of $2m – when the agreement with SmithKline Beecham is signed. The settlement also ends charges against Bolar's former president, Mr *Robert Shulman*.

Wall Street had expected Bolar to pay SmithKline as much as $100m.

However, Bolar is now a shell of its former self – it had been one of the biggest and most successful generic drug companies before the scandal. The generic version of Dyazide, with an estimated value of $70m a year in sales, was the foundation of Bolar's growth.

In the aftermath of the investigations, Bolar was forced to stop production and *shipments of most of its drugs*.

Mr Sam Isaly, an analyst at Mehta & Isaly in New York, said: "Bolar does have one valuable asset in its 50 per *cent stake in Somerset Labs*," which markets Eldepryl, a drug used in the treatment of Parkinson's disease. Mr Isaly *believes the stake* could be worth about $200m.

Pacific Dunlop raised bid set to win food group

By Mark Westfield

PACIFIC DUNLOP, a diversified Australian manu*facturer*, is expected to take full control of a food and forestry group, Petersville Sleigh, after sweetening its takeover offer to A$1.20 *a share and* snaring the remaining 12.8 per cent controlling interest of the Adelaide Steamship group, writes Mark Westfield.

Adsteam group companies had accepted the original offer price of $1.15 a share for 50.1 per cent of their combined 62.9 per cent holding to give *Pacific Dunlop* control, but forced the predator to declare its offer unconditional.

Pacific Dunlop agreed to increase its offer yesterday to attract the rest of the Adsteam shares. Petersville directors unanimously recommended yesterday that minority shareholders accept the offer after rejecting it last week.

TNT sells stake in mining group

TNT, the troubled Australian transport group, has sold its 20 per cent *shareholding in* the Normandy Poseidon mining company in a complex share and option deal which will eventually raise *A$110.5m (US$87m)*, writes Mark Westfield.

Half the stake was sold as shares and half as options. Normandy Poseidon's largest remaining shareholder, the South African Anglo-American Corporation, bought half the TNT share parcel at *$1.20 a share*. This lifted its holding from 15.5 per cent to the 19.9 per cent takeover threshold.

Mr Robert Champion de *Crespigny*, Anglo-American executive chairman, bought 1 per cent to lift his holding to 12 per cent.

Stockbroker *J B Were sold the rest of the share* tranche to institutions.

The options are exercisable before December next year, and were *sold at $1.25*, plus a 12.5 per cent fee on each option.

TNT said the proceeds would be used to reduce *the group's* $2.2bn debt.

Orient Corp buys out US partner

ORIENT *Corporation*, a *leading Japanese* consumer financing company, is to buy out its partner in Orient Aon Life Insurance, a joint venture *set up last year* with Combined Insurance Company of America, writes Emiko Terazono in Tokyo.

Next month, Orient will buy the 50 per cent stake held by Combined Insurance for Y10bn ($73m). The US insurer is a unit of Aon Corporation.

The life assurance market has been difficult for newcomers to penetrate. Equitable Life Assurance Society, the US group, recently *sold* a 70 per cent stake in its ailing Japanese unit to Nippon Shinpan, Japan's largest consumer credit company.

FT/AIBD INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market. Latest prices at 6:10 pm on August 29

U.S. DOLLAR STRAIGHTS	Issued	Bid	Offer	Chg. day	Yield
ABBEY NATIONAL 8 7/8 93	150	102½	103	+¼	7.05
ALBERTA PROVINCE 9 3/8 95	600	105½	105¾	+¼	7.76
AUSTRIA 8 1/2 00	400	101¼	101½	+⅛	8.27
BANK OF TOKYO 8 3/8 96	100	101	101½	+⅛	8.08
BELGIUM 9 5/8 98	250	106¾	107¼	+⅛	8.29
BFCE 7 3/4 97	150	100¼	100¾	+⅛	7.71
BNP 8 5/8 94	300	103⅛	103½		7.39
BP CAPITAL 9 5/8 93	150	102⅞	103¼	-¼	7.30
CANADA 9 96	1000	105¼	105⅝	+⅛	7.56
CARCO 9 1/4 96	650	102½	103½	+1⅛	8.61
CCCE 9 1/4 96	300	105⅛	105⅞	+⅛	7.46
COUNCIL EUROPE 8 96	100	100¾	101¼	+⅛	7.81
CREDIT FONCIER 9 1/2 99	300	106⅜	106⅝	+¼	8.30
DENMARK 0 98	250	57¼	57⅞		8.41
DENMARK 8 1/4 94	150	102⅛	103⅛	+⅛	7.18
ECSC 8 1/4 96	193	102⅛	102⅝	+⅛	7.73
EEC 7 1/4 93	250	100⅞	101¼	+⅛	6.67
EIB 7 3/4 96	250	101⅛	101⅝	+⅛	7.46
EIB 9 1/4 97	1000	105⅝	106	+⅛	8.05
ELEC DE FRANCE 9 98	200	104⅝	104⅞	+⅛	8.07
EUROFIMA 9 1/4 96	100	104	104½		8.14
EXPORT DEV CORP 9 1/2 98	150	106½	106⅞	+⅛	8.22
FINLAND 7 7/8 97	200	99	100	+¼	8.09
FINNISH EXPORT 9 3/8 95	200	104¾	105⅛	-½	7.97
FORD MOTOR CREDIT 9 1/2 93	300	103¼	103¾	-¼	7.78
GEN ELEC CAPITAL 9 3/8 96	300	105⅜	105¾	+⅛	7.96
GMAC 9 1/8 96	200	102¾	103¼	+⅛	8.35
HALIFAX 9 1/2 93	200	103¾	104¼	+⅛	7.19
IBM WORLD TRADE 7 5/8 93	150	101	101⅜	+½	7.10
IND BK JAPAN FIN 7 7/8 97	200	98¼	98¾	+⅛	8.26
INTER AMER DEV 7 5/8 96	200	99⅝	100	+½	7.72
ITALY 8 1/2 94	1500	103⅜	103⅝		7.25
JAPAN DEV BK 8 94	150	102⅛	102½	+⅛	7.09
KANSAI ELEC PWR 10 96	350	107⅞	107⅞		8.06
LTCB 8 5/8 93	150	102	102½	+¼	7.15
NEW ZEALAND 8 93	100	101⅞	102		7.13
NIPPON CRED BK 9 3/4 93	150	104½	105	+⅛	7.36
NIPPON TEL & TEL 9 3/8 95	200	105	105⅜	-⅛	7.67
NORDIC INV BANK 9 93	200	103⅜	103¾		6.96
ONTARIO HYDRO 11 5/8 94	300	108¾	109⅜		7.52
OSTER KONTROLLBANK 8 1/8 93	200	102	102½	+⅛	6.68
PETRO-CANADA 7 1/4 96	200	97⅝	98¼	+⅛	7.86
PRUDENTIAL RLTY SECS 0 99	365.216	53¼	53¾	+⅛	8.92
QUEBEC HYDRO 9 3/4 98	150	106	106⅝	+½	8.58
QUEBEC PROV 9 98	200	102¼	102¾	+⅛	8.52
SAINSBURY 9 1/8 96	150	103⅞	104⅜	+⅛	8.16
SAS 10 99	200	102¾	103¼	+⅛	9.54
SBAB 9 1/2 95	500	104⅝	105	-½	8.00
STATE BK STH AUST 9 1/4 93	100	102⅞	103⅛		7.12
SUMITOMO BK CAP MKT 9 3/8 93	150	104⅛	104⅝	+½	7.28
SWEDEN 8 1/8 94	150	102¼	102⅝	+⅛	7.26
SWEDISH EXPORT 9 5/8 93	100	103⅝	104		6.93
TOKYO METROPOLIS 8 1/4 96	200	101⅝	102⅛	+⅛	7.85
WORLD BANK 8 3/8 99	1500	101⅞	102	+⅛	8.22
WORLD BANK 8 3/4 97	1500	104⅜	104⅝	+⅛	7.85
XEROX CORPN 8 3/8 96	100	98¾	99¼	+1⅛	8.68

DEUTSCHE MARK STRAIGHTS	Issued	Bid	Offer	Chg. day	Yield
BAPROVEN 11 1/8 95	200	101¼	101⅝	-⅛	10.76
BULGARIAN TRADE BK 8 1/2 96	200	85	85	+1⅛	12.80
DEUTSCHE BK FIN 5 5/8 96	750	88⅜	88¾	+⅛	8.78
DEUTSCHE FINANCE 7 1/2 95	1000	96⅛	96⅜	-⅛	8.62
EIB 5 3/4 98	400	86⅛	86⅜	+⅛	8.58
EIB 6 7/8 95	300	93¼	93⅝	+⅛	8.85
EUROFIMA 6 1/4 98	400	87⅝	87⅞		8.71
FERRO DEL STAT 5 3/8 93	500	95⅜	95⅝	+⅛	9.05
FIRST INTERSTATE 5 3/4 96	100	83½	83½	+½	10.35
IND BK JAPAN FIN 5 5/8 96	200	87⅛	87⅝	+⅛	9.09
IND DEV BK INDIA 6 3/8 94	200	87	87	-⅛	11.27
LUFTHANSA INT FIN 5 7/8 98	500	85⅛	85⅛	+⅛	8.93
NAT BK HUNGARY 8 96	200	90⅛	90⅛		10.52
QUEBEC HYDRO 6 3/4 99	300	88⅛	88⅝	+⅛	8.94
SWEDEN 6 1/8 98	300	87⅛	87⅝	+⅛	8.64
VENEZUELA 8 1/4 93	100	95½	95½	-⅛	10.60
WORLD BANK 0 15	2000	16⅛	16⅛		7.80
WORLD BANK 5 3/4 96	300	89	89	+⅛	8.77
WORLD BANK 7 1/8 95	500	95⅝	95⅞	+⅛	8.65

SWISS FRANC STRAIGHTS	Issued	Bid	Offer	Chg. day	Yield
ASIAN DEV BANK 6 10	100	89½	90½		7.01
AUSTRIA 4 5/8 98	100	88½	89½		6.88
CHUJITSUYA 7 3/4 95	50	101¾	102½		7.23
COUNCIL EUROPE 4 3/4 98	250	88½	89⅛	-¼	7.01
EEC 5 1/2 00	100	90¼	91		6.96
EIB 5 3/4 93	100	97	98	+½	7.28
ELEC DE FRANCE 7 1/4 06	100	103	104		6.91
FINLAND 5 3/8 95	150	96	96¼	+½	6.49
GENERAL MOTORS 7 1/2 95	100	100½	101	-½	7.32
JAPAN DEV BK 5 1/2 94	100	96¼	97		7.30
KOBE 6 3/8 01	240	97⅝	98		6.69
NEW ZEALAND 4 7/8 99	200	87¼	88	-1	7.14
QUEBEC HYDRO 5 08	100	75¼	76½		7.62
WORLD BANK 5 03	150	84	85	-½	7.02
WORLD BANK 7 01	600	101⅞	102		6.72

YEN STRAIGHTS	Issued	Bid	Offer	Chg. day	Yield
AUSTRIA 4 3/4 94	30000	96	96¼	+⅛	6.60
CREDIT FONCIER 5 1/4 94	20000	95⅝	96⅛	+⅛	6.75
DENMARK 7 95	40000	101¼	101⅝	+⅛	6.56
EIB 4 5/8 94	40000	95⅛	95⅝	+⅛	6.54
FINLAND 6 3/4 96	50000	100¾	101	+⅛	6.54
GENERAL ELECTRIC 5 3/4 93	35000	98⅛	98⅝	+⅛	7.00
INTER AMER DEV 7 1/4 00	30000	104½	104¾	+⅛	6.55
KANSAI ELEC PWR 4 5/8 94	60000	95⅛	95⅜		6.66
NIPPON TEL & TEL 5 7/8 96	50000	97⅛	97⅛	+⅛	6.53
NORWAY 5 1/8 95	50000	95½	95¾	+⅛	6.56
SNCF 6 3/4 00	30000	101½	101¾	+⅛	6.51
SWEDEN 5 5/8 95	20000	96⅛	97⅛	+⅛	6.56
WORLD BANK 6 3/4 00	50000	101⅜	102	+⅛	6.47

OTHER STRAIGHTS	Issued	Bid	Offer	Chg. day	Yield
BAYERISCHE VEREINS INT 7 94 LFr	600	94	95		9.45
KREDIETCORP 7 93 LFr	1000	95⅝	96⅝		9.56
WORLD BANK 8 96 LFr	1000	95¾	97½		9.14
RABOBANK 5 3/4 93 Fl	150	94½	95¼		9.81
UNILEVER 9 00 Fl	500	102	102½	+⅛	8.66
BCE INC 9 5/8 93 C$	300	99⅝	100⅛		9.81
BELL CANADA 10 5/8 99 C$	150	100⅞	101⅜	+⅛	10.45
BRITISH COLUMBIA 9 1/4 93 C$	150	99⅛	100		9.54
EIB 10 1/8 98 C$	130	99⅞	100½	+⅛	10.15
ELEC DE FRANCE 9 3/4 99 C$	275	97⅝	98¼	+⅛	10.20
FORD CREDIT CANADA 10 94 C$	100	98⅞	99⅜	+⅛	10.45
GENERAL ELECT CAP 10 1/4 93 C$	175	101¼	101¾	+⅛	9.61
ONTARIO HYDRO 10 7/8 99 C$	500	102	102⅛	+⅛	10.45
OSTER KONTROLLBANK 10 1/4 99 C$	150	100¼	101	+⅛	10.15
QUEBEC PROV 10 1/2 98 C$	200	100	100½	+⅛	10.48
ROYAL TRUSTCO 10 1/4 93 C$	100	99⅝	100¼	+⅛	10.43
SWEDEN 9 3/4 93 C$	250	100⅝	101⅛	+⅛	9.27
BELGIUM 9 1/8 96 Ecu	1250	100¼	100¾		9.06
CNT 7 3/8 93 Ecu	250	95⅛	96⅝		10.16
CREDIT LYONNAIS 9 96 Ecu	125	96⅝	98⅛	-⅛	9.91
DENMARK 7 5/8 96 Ecu	250	91⅛	93	+⅛	9.90
EEC 7 5/8 94 Ecu	200	96⅛	96⅞	+⅛	9.28
EIB 10 97 Ecu	1125	104⅛	104½		8.96
ITALY 10 3/4 00 Ecu	1000	109	109⅛		9.18
UNITED KINGDOM 9 1/8 01 Ecu	2750	100¼	100⅞	+⅛	8.99
BP AMERICA 12 1/4 96 A$	100	103⅛	103¾		11.25
COMM BK AUSTRALIA 13 3/4 99 A$	100	109⅞	110	+⅛	11.82
COUNCIL EUROPE 13 93 A$	50	101⅝	102⅛	-⅛	11.63
EKSPORTFINANS 12 3/8 95 A$	75	103¼	103¾		11.23
FORD CRED AUST 13 93 A$	50	100½	101½	-⅛	12.48
MCDONALDS CANADA 15 95 A$	100	108⅛	109⅛	-⅛	11.98
NAT AUSTRALIA BANK 14 3/4 94 A$	150	106⅛	106⅝		11.65
STATE BK NSW 14 1/4 99 A$	100	109⅞	110¼		12.24
VOLKSWAGEN INTL 15 94 A$	100	106⅛	107⅛		11.79
ABBEY NATL TREAS 13 3/8 95 £	100	106⅞	107⅜		10.85
BARCLAYS JERSEY 9 1/2 93 £	250	98	98½		10.84
BRITISH GAS 12 3/4 95 £	300	105⅝	106	+⅛	10.66
DEUTSCHE BK FIN 11 94 £	225	101	101⅜		10.44
EIB 10 97 £	386.5	98⅛	98⅝	+⅛	10.38
FORD CREDIT FUNDING 9 5/8 93 £	50	97⅛	97⅝	+⅛	11.58
INTER AMER DEV 11 3/8 95 £	75	102¾	103⅛	+⅛	10.42
ITALY 10 1/2 14 £	400	96¾	97⅛	+⅛	10.88
LAND SECS 9 1/2 07 £	200	84⅞	85¼	+⅛	11.62
LEEDS PERMANENT 9 1/4 93 £	50	97⅛	97⅝		11.09
NORWAY 10 1/2 94 £	200	100¼	100½		10.38
ROLLS-ROYCE 9 5/8 93 £	150	97¼	97⅝		11.32
SAINSBURY 10 7/8 93 £	100	99⅞	100¼		10.97
SKANDINAVISKA ENSK 13 1/8 95 £	100	105½	106⅛	+½	11.08
WORLD BANK 11 1/4 95 £	100	102¼	102⅝		10.45
ABBEY NATIONAL 0 96 NZ$	100	60	61		10.54
TELECOM NZ O/S FIN 13 1/8 93 NZ$	75	105⅛	106⅛	+⅛	10.22
AIDC 7 7/8 93 FFr	600	97	97⅜	+⅛	9.51
CREDIT LYONNAIS 10 95 FFr	3200	101⅛	101⅜	+⅛	9.56
EURATOM 7 5/8 98 FFr	500	92½	93	+⅛	9.14

FLOATING RATE NOTES	Issued	Bid	Offer	C.cpn
ALBERTA PROVINCE 1/32 93	500	100.16	100.26	6.5156
ALLIANCE & LEICS 0.08 94 £	300	99.49	99.59	11.2050
BANCO ROMA 0.03 01	200	91.88	92.88	6.4675
BANCO SANTO SPIRITO 93	200	99.54	99.65	6.5000
BELGIUM 1/16 97 DM	500	100.04	100.14	9.5000
BFCE -0.02 96	350	100.06	100.16	6.1050
BNP 05	300	96.00	97.00	6.3125
BRITANNIA 1/10 96 £	150	99.05	99.25	11.2250
CCCE 06 ECU	200	99.95	100.05	9.7500
CITIZENS FED 0.15 96	100	99.45	99.85	7.0250
COMMERZBK O/S FIN 93	200	99.98	100.08	5.8750
DENMARK -1/8 96	1000	99.52	99.62	6.5938
DRESDNER FINANCE 1/32 98 DM	1000	99.93	100.04	9.2813
ELEC DE FRANCE 1/8 99	400	100.43	100.68	7.0000
FERRO DEL STAT 94	200	100.45	100.70	6.8750
HALIFAX 1/10 94 £	200	99.84	99.89	11.1000
ITALY 00	500	100.86	100.96	6.3750
MITSUI FIN ASIA 1/8 96	100	99.56	99.66	7.0000
MORGAN (JP) 1/4 97	250	98.56	99.31	6.0000
NAT WEST FIN 3/16 05	400	91.50	92.50	6.5000
NEW ZEALAND 93	500	99.82	99.92	5.7500
QUEBEC PROV 01	300	96.45	96.70	6.1250
RENFE 98	500	99.96	100.06	6.0625
SOCIETE GENERALE 96	300	99.27	99.37	6.3125
STATE BK VICTORIA 0.05 99	125	98.70	98.95	6.4875
UNITED KINGDOM -1/8 96	4000	100.00	100.03	5.9375

CONVERTIBLE BONDS	Issued	Conv. price	Bid	Offer	Prem.
ARGYLL GROUP 4 1/2 02 £	60	2.86	116	117	+9.85
ASDA-MFI 4 3/4 02 £	100	1.64	118⅝	119⅝	
BURTON GROUP 4 3/4 01 £	110	2.38	122	123⅞	
EASTMAN KODAK 6 3/8 01	300	50.67	99¼	100¼	+14.08
GOLD KALGOORLIE 7 1/2 00	65	1.0554	69¼	70¼	+43.03
GOODYEAR TIRE 6 7/8 03	150	80¼	79⅝	80⅝	+64.90
GRACE (WR) 6 1/4 02	150	42½	99¼	100¼	+12.62
HANSON 9 1/2 06 £	500	2.5875	99¼	100	+17.92
HAWLEY 6 02 PREF	400	19.1	79	82¼	
HILLSDOWN 4 1/2 02 £	150	4.16	113	114	
INTL PAPER 5 3/4 02	200	68½	106⅛	107⅛	+4.28
LAND SECS 6 3/4 02 £	84	6.72	86½	87⅛	+12.00
MITSUBISHI BK 1 3/4 02	300	2727.1	108	110	-0.44
OGDEN 6 02	85	39.077	70⅞	71⅞	+36.77
PACIFIC DUNLOP 6 3/4 97	75	3.749	106⅛	107⅛	-0.71
TEXAS INSTRUMENTS 2 3/4 02	300	82⅞	84¼	85⅛	
THORN EMI 5 3/4 04 £	103	7.45	118⅛	119⅛	+10.53

* No information available - previous day's price
‡ Only one market maker supplied a price

STRAIGHT BONDS: The yield is the yield to redemption of the bid-price: the amount issued is in millions of currency units. Chg. day = Change on day.
FLOATING RATE NOTES: Denominated in dollars unless otherwise indicated. Coupon shown is minimum. Spread = Margin above six-month offered rate (three-month §above mean rate) for US dollars. C.cpn = The current coupon.
CONVERTIBLE BONDS: Denominated in dollars unless otherwise indicated. Cnv. price = Nominal amount of bond per share expressed in currency of share at conversion rate fixed at issue. Prem = Percentage premium of the current effective price of acquiring shares via the bond over the most recent price of the shares.

Data supplied by Association of International Bond Dealers.

INTERNATIONAL CAPITAL MARKETS

Lord Young to head new Salomon committee

By Patrick Harverson in New York

SALOMON Brothers, the scandal-scarred Wall Street securities house, took more steps to restore its battered reputation yesterday.

It asked Lord Young, the former UK cabinet minister and current Salomon board member, to head a new compliance committee with responsibility for ensuring the firm operates within all US regulatory procedures. It also engaged Coopers & Lybrand, the accountants, to undertake a review of the firm's securities trading operations.

Mr Warren Buffett, the interim chairman of Salomon, said that he would put into effect any improvements suggested by Coopers & Lybrand once its comprehensive internal control and compliance review was completed.

Mr Buffett has instructed Mr Richard Scribner, the firm's chief compliance officer, and Mr Robert Denham, the newly-appointed general counsel to Salomon, to work alongside Coopers & Lybrand.

The aim of the review is to improve the firm's compliance programme, said Mr Buffett, so that Salomon becomes "a leader in setting new standards in regulatory behaviour in the financial services industry".

In a separate development yesterday, investigations revealed that Mr Paul Mozer, the dismissed bond trader blamed by Salomon for ordering illegal trades and breaking Treasury rules, sold shares just before the scandal erupted.

When the 46,000 shares were sold the holding was valued at just under $1.7m. However, since the scandal broke Salomon stock has lost a third of its value, and at yesterday's mid-session price of $25 the holding was worth some $1.1m.

If it can be proven that Mr Mozer sold the shares because he knew disclosures of wrongdoing at Salomon would damage the stock price, he could face criminal charges for insider trading. Mr Mozer has denied that he sold the stock using inside information.

The state of New York yesterday added Salomon to the list of securities dealers who provide it with day-to-day investment services. Mr Mario Cuomo, governor of New York state, said the action was intended to preserve Salomon as "a viable leader of our financial services community".

See Observer

Data lift Treasuries at both ends

By Patrick Harverson in New York and Sara Webb in London

THE release of weak housing sales figures and personal income data buoyed US bond market sentiment and pushed prices higher at both ends of the maturity range yesterday morning.

By midday, the benchmark 30-year was up 18/32 at 101 18/32, yielding 8.000 per cent. The two-year note was also firmer, up 1/16 at 100 3/16, to carry a yield of 6.257 per cent.

The news that sparked a fresh round of buying was the report of a 8.5 per cent decline in new domestic home sales (to an annual rate of 472,000) and a 0.1 per cent drop in personal income during July.

The fall in home sales was considerably bigger than forecast and the continued poor state of demand for new homes suggests the recovery from recession is stalling.

BENCHMARK GOVERNMENT BONDS

		Coupon	Red Date	Price	Change	Yield	Week ago	Month ago
AUSTRALIA		12.000	11/01	108.3097	-0.001	10.64	10.54	11.00
BELGIUM		9.000	06/01	98.4000	+0.250	9.25	9.34	9.49
CANADA *		9.750	12/01	100.7750	+0.475	9.62	9.69	9.91
DENMARK		9.000	11/00	98.5500	+0.300	9.23	9.28	9.45
FRANCE	BTAN	8.500	11/96	97.5140	+0.199	9.10	9.20	9.33
	OAT	9.500	01/01	103.4900	+0.330	8.92	9.02	9.25
GERMANY		8.750	08/01	102.2400	+0.220	8.41	8.48	8.58
ITALY		12.500	03/01	98.1500	+0.390	13.25	13.37	13.55
JAPAN	No 119	4.800	06/99	90.3478	+0.532	6.68	6.77	6.95
	No 129	6.400	03/00	100.3051	+0.498	6.35	6.43	6.59
NETHERLANDS		8.500	03/01	98.3800	+0.140	8.74	8.85	8.90
SPAIN		11.900	07/96	100.7000	+0.050	11.67	11.86	12.10
UK GILTS		10.000	11/96	100-06	+06/32	9.95	10.02	10.23
		10.000	02/01	100-14	+08/32	9.93	9.96	10.16
		9.000	10/08	94-06	+13/32	9.70	9.74	9.93
US TREASURY *		7.875	08/01	100-24	+11/32	7.76	7.79	8.21
		8.125	08/21	101-09	+19/32	8.01	8.06	8.39

London closing. *denotes New York morning session. Yields: Local market standard. Prices: US, UK in 32nds, others in decimal. Technical Data/ATLAS Price Sources

GOVERNMENT BONDS

The rally in the US Treasury bond market helped push up European markets.

■ THE French government bond market rose on renewed hopes of a cut in the intervention rate. Traders reported strong buying of short-dated French paper this week in anticipation of an interest rate cut.

News that French GDP growth in the second quarter was higher than expected at 0.8 per cent had little affect.

The bond futures contract on the Matif opened at 106.18 and closed at 106.28. 3.

In Germany, the Liffe bund futures contract opened at 85.1, reached a high of 85.27 and then fell back to trade at around 85.19.

■ UK government bonds followed the US Treasury bond rally.

The benchmark 11¾ per cent gilt due 2003/07 opened at 111 19/32 and moved to 112 3/32 by late afternoon to yield 9.91 per cent.

■ IN Japan, the yield on the benchmark No 129 JGB opened at 6.425 per cent and closed at 6.35 per cent.

Rally in US may prompt rush of new issues

By Tracy Corrigan

A SPATE of new issues in the dollar sector of the Eurobond market is likely to follow the rally in US Treasuries which pushed the yield on the long bond through 8 per cent yesterday, according to dealers.

For many companies, 8 per cent on the long bond is a level at which absolute rates for dollar financing become attractive.

INTERNATIONAL BONDS

From a borrower's point of view, absolute rates in dollars are now as low as in any other currency sector, apart from yen.

However, this means that coupons on dollar bonds may become unacceptably low for retail investors, especially in Switzerland and Germany. Historically, they have been used to gain higher returns by buying foreign bonds; with comparable coupons on offer in their domestic currency, they may prefer to avoid foreign exposure.

Meanwhile, two more Swedish krona deals were launched yesterday, bringing the total volume of new issues in the last two days to SKr900m.

Although the sector is undergoing a resurgence of interest since the krona was linked to the Ecu earlier this summer, dealers said the heavy volume of paper had outstripped demand.

The first two deals, for Volkswagen and Swedish Export Credit, appear to have been placed quite comfortably, but dealers said that Landeskreditbank Baden-Württemburg's offering was harder to distribute.

Volkswagen's deal on Wednesday, sparked by the return of arbitrage opportunities, was comfortably within 1⅞ point fees at the end of the first day's trading, at 1.60 bid. But the emergence of more paper on Thursday prompted the price to slip to less 1.80 bid. The two deals for SEK and LKB were quoted at less 1.70 bid and less 1.85 bid respectively.

Agreement on sale of IDB stake as Israeli banks' profits slide

State pushes on with plan to sell majority holdings

By Hugh Carnegy in Jerusalem

THE Israeli government said yesterday it had put back on course its efforts to sell the state's majority bank holdings. This followed the signing of an agreement on the fate of Israel Discount Bank, the country's third largest bank, with its founders, the Recanati family of Tel Aviv.

A previous move to sell back a controlling interest in IDB to the Recanatis foundered. The Bank of Israel and the Attorney-General objected because leading members of the family group, notably Messrs Rafael and Udi Recanati, faced criminal charges being heard in connection with the bank share scandal of 1983. This scandal prompted the government's purchase of bank stock in the first place.

The government is hoping yesterday's agreement will at last open the way to the full privatisation of IDB and the other three principal banks, Bank Hapoalim, Bank Leumi and Bank Mizrahi.

Although the names of bidders for Bank Mizrahi are due to be announced today, failure to attract investors to bid against the Recanatis had severely undermined the bank sale programme.

Under the agreement with the Recanatis, the family, which has remained in control of the IDB group as a whole and the bank itself because of a preferential voting system, will purchase a 25.1 per cent share of IDB Bankholding Corporation from the government for $230m. A new one-share, one-vote structure will give the Recanatis a 57 per cent share of the holding company.

The holding company will have a 73.5 per cent share of its investment arm, IDB Development Corporation, one of Israel's richest investment groups. But to get around the dispute over the fitness of the Recanatis to own the bank, the family has agreed to reduce the holding company's share in it from 66 per cent to 13 per cent.

The government intends to sell a stake in the bank of at least 25 per cent in a competitive tender. It says the Recanatis will only be able to participate if they win the approval of the Bank of Israel.

So far the central bank, which wanted to split the bank from the rest of the IDB group, has opposed handing back control of the bank to the Recanatis while they remain on trial for their role in the manipulation of share prices which led to a $7bn government bail-out of the banking system.

However, the Recanatis made clear yesterday they intended to fight for control of the bank as well as the rest of the group.

Impact of Gulf war has depressing effect

By Hugh Carnegy

ISRAEL'S top three banks have recorded a drop in profits in the first half of this year, in large part reflecting the impact of the Gulf war on the economy in the first quarter and a continuing trend of tightening margins.

Worst hit was Bank Leumi, the second largest by asset value. Operating income rose 17 per cent over the first half of 1990 to Shk452m ($134.7m). Expenses of Shk986m, high compared with its rivals, were up by less than 2 per cent.

But losses of Shk40m in Bank Leumi Trust Company of New York – a subsidiary whose real estate losses were largely responsible for a 60 per cent drop in group profits in the full 1990 year – and increased bad debt provisions at home led to a 53 per cent slump in net first-half profits to Shk54.1m.

Total assets at the end of June were down almost 1 per cent, compared with six months earlier, at Shk67.4bn. Return on equity in annual terms was 3.4 per cent in the first half.

Along with its rivals, Leumi blamed changes in accounting for inflation for a significant drop in income. But its result allowed Bank Hapoalim to maintain its position as the leading Israeli bank, despite a 13 per cent drop in net profits in the first half to Shk75m from Shk86m in the same period last year.

In contrast with Bank Leumi, which saw provisions rise more than 18 per cent to Shk211.5m, Hapoalim was able to reduce the amount set aside for bad debts by nearly 16 per cent, to Shk274m from Shk325m.

Assets at Hapoalim fell to Shk82.5bn from Shk79.8bn while return on equity stood at 5.3 per cent.

Israel Discount Bank, the third largest, reported a 12.7 per cent drop in profits to Shk30.3m from Shk34.7m in the first half last year.

Total assets were up at Shk87.65bn compared with Shk87.3bn at the end of 1990. Return on equity was 3.6 per cent.

CBOE cuts staff as volume falls

By Barbara Durr in Chicago

THE Chicago Board Options Exchange, the world's largest options market, will cut staffing by nearly 12 per cent due to reduced trading volume.

The CBOE is making 75 people redundant, representing about 8 per cent of its 950-strong workforce, and natural attrition will bring the total reduction to 110.

A CBOE spokesperson said that the options industry had seen an overall decline in volume, and to bring expenses into line the exchange was undertaking cost reduction measures, including staff cuts.

In a memo to the floor this month, Mr Alger "Duke" Chapman, the CBOE chairman, said that while the break-even volume for the exchange was 435,000 contracts per day, the July daily average had been just 380,200.

August daily volume has risen to 457,000 contracts, but trading was pushed up events in the Soviet Union and the exchange is apparently not counting on continued buoyancy in options.

Two other leading US options markets, the American and Pacific stock exchanges, have already taken measures to reduce staff because of lower trading volumes.

● The CBOE is to begin trading options on Telefonos de Mexico (Telmex), the Mexican telecoms group, on September 5. Telmex, privatised in 1990, is Mexico's largest publicly-traded company, and is listed on the New York Stock Exchange. They will be the first options for a Mexican stock listed for trading at a US exchange.

NEW INTERNATIONAL BOND ISSUES

Borrower	Amount m.	Coupon %	Price	Maturity	Fees	Book runner
FRENCH FRANCS						
Bque.Nationale de Paris(b)†	1bn	9⅛	101.133	1996	1⅞	BNP Cap.Markets
YEN						
Denki Kagaku(a)†	10bn	7.2	101.80	1999	2/1.6	Nikko Secs.
SWEDISH KRONOR						
Svensk Exportkredit AB(a)†	300	10½	100⅝	1996	1⅞/1¼	Deutsche Bk.Cap.Mkts.
LKB Baden-Wurttemberg(a)†	300	10¾	101.40	1996	1⅞/1¼	Dresdner Bank
US DOLLARS						
Lechters(c)§†	65	5	83	2001	2½/1½	Goldman Sachs

**Private placement. §Convertible. ‡With equity warrants. #Floating rate note. †Final terms. a) Non-callable. b) Fungible with existing FFr1.5bn deal launched in April. Non-callable. c) Amount increased from $60m and coupon was indicated at (5-5¼%). Conversion premium fixed at 21.257%.

LONDON MARKET STATISTICS

FT-ACTUARIES SHARE INDICES

EQUITY GROUPS & SUB-SECTIONS	Thursday August 29 1991	Wed Aug 28	Tue Aug 27	Fri Aug 23	Year ago (approx)
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

FIXED INTEREST

PRICE INDICES	Thu Aug 29	Day's change %	Wed Aug 28	Accrued interest	xd adj. 1991 to date	AVERAGE GROSS REDEMPTION YIELDS	Thu Aug 29	Wed Aug 28	Year ago (approx.)
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

RISES AND FALLS YESTERDAY

	Rises	Falls	Same
British Funds	68	4	11
Corporations, Dominion and Foreign Bonds	0	0	20
Industrials	382	167	954
Financial and Properties	177	76	490
Oils	20	14	54
Plantations	0	0	10
Mines	12	52	92
Others	36	62	48
Totals	695	375	1,679

LONDON RECENT ISSUES

EQUITIES

Issue Price	Am'nt Paid up	Latest Renunc. Date	1991 High	1991 Low	Stock	Closing Price	+or -	Net Div	Times Cov'd	Gross Yield	P/E Ratio
–	F.P.	–	45	10	Aegis Warrants 5p	43½		–	–	–	–
25	F.P.	–	39½	29	‡Airbreak Lels. Grp. 5p	37	–1	ɑ1.75	1.8	6.3	9.6
†	F.P.	–	110	105	Capital Ventures 1p	110		–	–	–	–
–	F.P.	–	10	8	City of Oxford Wrnts.	10		–	–	–	–
175	F.P.	–	194	163	Claremont Garments 16p	192	–1	L6.95	1.9	4.8	11.9
100	F.P.	–	100	93	County Smaller Cos.	96		M3.38	–	4.7	–
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

FIXED INTEREST STOCKS

Issue Price £	Amount Paid up	Latest Renunc. Date	1991 High	1991 Low	Stock	Closing Price £	+ or -
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

RIGHTS OFFERS

Issue Price p	Amount Paid up	Latest Renunc. Date	1991 High	1991 Low	Stock	Closing Price p	+ or -
50	Nil	–	16pm	9pm	‡Applied Holographics 5p	9pm	–2
33	Nil	–	1¼pm	1¼pm	Beaverco 5p	1¼pm	
10	Nil	–	2pm	1½pm	Beeson Group 2.5p	1½pm	
47	Nil	–	25½pm	17pm	Elmec Inds. 5p	23pm	+1
225	Nil	–	27pm	8pm	Capital & Counties	10pm	–1
20	Nil	–	3pm	2pm	‡Pelican 20p	2½pm	+½
39	Nil	–	8pm	4pm	Try Group 10p	8pm	+1

a Annualised dividend. b Figures based on prospectus estimates. d Dividend rate paid or payable on part of capital, cover based on dividend on full capital. g Assumed dividend and yield. q Earnings based on preliminary figures. e Forecast or estimated annualised dividend rate, cover based on previous year's earnings. F Dividend and yield based on prospectus or other official estimates for 1990-91. H Dividend and yield based on prospectus or other official estimates for 1991. L Estimated annualised dividend, cover and p/e based on latest annual earnings. M Dividend and yield based on prospectus or other official estimates for 1991-92. N Dividend and yield based on prospectus or other official estimates for 1992. Q Gross. R Forecast annualised dividend, cover and p/e ratio based on prospectus or other official estimates. W Pro Forma figures. ‡ Offered to holders of ordinary shares as a "rights". † Introduction. § Placing price. †† Reintroduction. ‡ Unlisted securities market. ɸ Issued in connection with reorganisation, merger or takeover. pm Price at a premium.

TRADITIONAL OPTIONS

● First Dealings Aug. 19
● Last Dealings Sept. 6
● Last Declarations Nov. 21
● For settlement Dec. 2

For rate indications see end of London Share Service

Calls in Anglia TV, Berisford Intl., Emess Conv. Pref., European Leisure, London & O'seas. Freighters, Mountleigh, Next and Ratners. Puts in George Wimpey.

LONDON TRADED OPTIONS

Option		Calls Oct	Calls Jan	Calls Apr	Puts Oct	Puts Jan	Puts Apr
Allied Lyons (*583)	550	47	58½	74	5¼	13	16½
	600	16½	29½	45	25	34	38½
	650	5¼	13½	–	67½	68½	–
ASDA (*91)	80	12½	15½	16½	1¼	2¼	3½
	90	5¼	9½	10½	3½	5	7
	100	2	5	7	10	10½	12½
Unilever (*756)	750	31½	48½	61½	16	25½	29½
	800	9½	25½	37½	45½	51½	56½
Ultramar (*283)	280	11½	20	25	10½	13½	18½
	300	4¼	12½	–	23	26	–
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Option		Calls Sep	Calls Dec	Calls Mar	Puts Sep	Puts Dec	Puts Mar
Glaxo (*1366)	1300	76½	115	150	14	34½	45½
	1350	39	85½	120	31½	55	68½
Hawker Sidd. (*595)	550	55½	66½	79½	3	13	18½
	600	20	34½	50	15	31	38
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Option		Calls			Puts		
M & S (*288)	280	16½	25	32½	5	9	11
	300	6	13	21	14½	18½	20½
Salisbury (*361)	360	–	–	33	–	–	16½
	386	4½	11½	–	27	29	–
Shell Trans. (*530)	500	37½	45½	50½	4¼	10½	15½
	550	5½	18	22½	31½	34½	39½
Storehouse (*111)	110	6	9½	12½	4½	7	9
	120	2¼	5½	8½	10½	13½	14½
Trafalgar (*247)	240	–	–	29½	–	–	21
	251	12½	19½	–	13½	23	–
Utd. Biscuits (*397)	390	18½	28	36	10½	15½	20½
	420	5	13½	21	28½	30	34
Amstrad (*50)	45	6	8½	10¼	1	2¼	4
	50	3¼	6	8	2¼	4¼	6¼
Barclays (*470)	460	20	38	50½	6¼	13	20½
	500	3½	18½	30	30½	35½	40
Blue Circle (*270)	260	13½	23	31	5	10	12½
	280	4½	12½	21	15½	20	24
British Gas (*271)	260	15	22½	27	1¼	5½	9
	280	3¼	11	16	10½	13½	16½
Dixons (*265)	260	11½	22½	29½	6	11½	15½
	280	4	11¼	18½	17½	22	26
Eurotunnel (*498)	460	46	68	85½	5½	15	22½
	500	22½	45	58½	20½	33½	38

EURO FT-SE INDEX / FT-SE INDEX

Oct	281	234	189	145	106	73	45½	25½
Nov	293	248	206	165	120	93½	65	42½
Dec †	307	–	221	–	146	–	87½	–
Jun †	387	–	317	–	247	–	192	–
PUTS								
Aug	½	½	½	½	½	14½	63½	113
Sep	3½	5½	6½	11½	20	39	69	112
Oct	8	11½	16	22	33½	52½	77½	114
Nov	11½	14½	22	30½	43½	60½	85½	118
Dec †	15½	–	27½	–	52	–	91½	–
Jun †	39½	–	60½	–	90½	–	130	–

August 29 Total Contracts 22,746
Calls 14,319 Puts 8,427
FT-SE Index Calls 3,306 Puts 2,743
Euro FT-SE Calls 336 Puts 1,110
*Underlying security price. † Long dated expiry months.
Premiums shown are based on middle prices.

Impala Platinum Holdings Limited

(Incorporated in the Republic of South Africa)
(Registration number 57/01979/06)

Excerpts from the chairman's review

1. Results for the 1991 *financial* year

The financial year ended 30 June 1991 saw a welcome improvement in the Group's financial results, though profits still fell short of the record level achieved in 1989. Revenue from the sales of platinum and by-products produced by Impala Platinum Limited ("Impala") rose by some 9% to R2,27 billion, and cost of sales rose by 5% to R1,41 billion. Accordingly, income from the supply of metals amounted to R857,3 million, a R111,2 million or 15% improvement on the previous year.

The Board has decided to change the basis of accounting for capital expenditures. Henceforth, general ongoing expenditures of a routine nature that are incurred to maintain the installed productive capacity of the mines will be expensed "above-the-line" as an "expenditure on current productive capacity". In addition, the reduction in taxation associated with major non-routine capital expenditures (incurred both to maintain installed productive capacity in the future and to increase that capacity) will be incorporated in the annual taxation charge in the income statement, so that the total tax charge for the period will relate largely to current income. Overall, these changes will result in a more conservative statement of Group income.

In accordance with the changed accounting convention, a charge of R95,2 million was made for expenditure on current productive capacity (R107,9 million in 1990). Income from other operations contributed R13,6 million (R42,8 million in 1990), and interest received exceeded interest paid by R67,6 million (R57,4 million in 1990). In consequence, Group income before taxation totalled R843,3 million, which was 14% higher than in the 1990 financial year.

The provision for lease, royalties and taxation totalled R556,6 million (R482,5 million in 1990), which amount includes a charge of R189,1 million (R29,3 million in 1990) arising from the new accounting policy. Net income from associated companies in the Lonrho Group contributed R30,0 million (R11,7 million in 1990). Consequently, after allowing for outside shareholders' interests, the Group attributable income was R311,8 million, or nearly 25% higher than the corresponding figure of R250,5 million in 1990.

(I note in passing the effect of the changed basis of accounting. Had the accounts been prepared on the previous basis, attributable income would have been R596,1 million, or 54%, higher than the R387,7 million achieved in the 1990 financial year.)

An amount of R130,2 million was raised as an extraordinary item as a provision against the underlying investment in Messina, so writing that investment down to the net asset value at the date of acquisition.

The Group cash position has been stronger than I had anticipated last year. Despite the heavy capital programme, cash balances have been positive throughout much of the year, as is reflected in the net interest earnings. At year end, the Group cash balance, net of all loans, was R79,9 million.

In line with these improved results, the Directors have decided to increase the total dividend for the 1991 financial year to 275 cents per share, compared to 250 cents in 1990 and in 1989. Accordingly, a final dividend of 195 cents per share has been declared, payable to members on 11 October 1991.

2. Sales

The increase in Impala's sales revenues was due entirely to the higher rhodium prices achieved; revenues from the sales of all other products were, with two negligible exceptions, lower than in the previous year.

The quantity of platinum sold rose by 3 700 ounces, but this increase was more than offset by the decrease of some $42/ounce in the average price achieved. The quantity of rhodium sold was 4 800 ounces lower, but the price more than doubled, so that rhodium contributed nearly 30% of total revenue, compared to the 50% contributed by platinum. Nickel and palladium were the only two other metals to contribute significantly to total revenues.

Insofar as the 1992 financial year is concerned, we expect Impala's platinum sales to increase marginally over last year's sales. Rhodium too should show an increase as our drive to improve recoveries and reduce the lock-up of metal in the refineries starts to take effect.

The expansion plans that I announced last year, to reach an output of 1,35 million ounces during the 1991 financial year, were premised on the expectation that autocatalyst demand might increase to some 2,2 million ounces in the 1995 financial year, and that, given reasonable growth rates in the other markets for platinum, total demand (excluding investment products) might increase to around 4,5 million ounces. I am increasingly coming to the view that these estimates are conservative – perhaps by as much as a half-million ounces – particularly insofar as automobile requirements are concerned. In view of the major decline in the prices of platinum group metals in the past few months, there is now a distinct possibility that newly mined supplies of metal will be insufficient to meet demand by 1995.

The depressed market circumstances are likely to lead to a sharp drop in the availability of recycled metal. Much more importantly, these circumstances present a particular challenge to the southern African producers, who are all engaged in long-lead time, capital intensive expansion programmes to enable them to meet the increased metal supplies requested by their clients for the mid-Nineties. The platinum price has now fallen to a level where, but for the rhodium revenues, the platinum mines would find themselves in financial straits similar to those of the marginal South African gold mines; indeed, even with rhodium at its present level, revenues are much lower than would normally justify the investment in new capacity.

Despite the confidence that I expressed above regarding the prospects of platinum group metals, prudence will lead the platinum producers to reconsider their capital programmes in the light of the current weak market conditions. For example, our acquisition of the Barplats Group will result in a large reduction in the production targets of its mines. The output of the Crocodile River Mine is now scheduled to reach 90 000 ounces only by 1996, and no other production – for example from the Kennedy's Vale Mine – is planned for the foreseeable future. This contrasts with widely quoted production estimates but a year ago of more than twice that figure. If the present price weakness persists, this cutback of future production by Barplats will prove to be but the first of others.

3. Operations

Due in large measure to the production problems experienced at the Wildebeestfontein North Mine, to which I referred in the half-year statement, the tonnage milled by Impala was actually some 700 000 tons lower than in 1990, whereas we had planned on an increase of 200 000 tons. Fortunately our efforts at grade control were more successful, so that the quantity of platinum recoverable from the ore milled increased marginally. Progress in overcoming the Wildebeestfontein North problems (mainly by increasing the quantity of UG2 ore mined) has been a little more rapid than I anticipated at mid-year, and the mine performed close to its production targets in May and June.

Due to the effects of the processing time and improvements in recoveries, the actual output of refined platinum from the refinery was only 15 000 ounces lower than in the previous year. The coming 1992 financial year should see output rise, but the extent of the increase will be affected by the eventual outcome of the current labour unrest, to which I refer below. The output of rhodium increased marginally thanks to certain process improvements that we have identified and have started to implement, and I am confident that we shall see a further increase in the coming year. The output of nickel was lower due to the larger proportion of UG2 ore processed.

The unit production costs were kept reasonably under control despite the problems at Wildebeestfontein North, and rose by 11% to R1 295/ounce of platinum refined. Our forecasts suggest that we will be hard pressed to improve on this rate of increase in the coming year in view of the inflationary pressures being experienced.

Capital projects generally, and the Group expansion programmes in particular, proceeded according to schedule, though the actual expenditures have generally been lower than the forecasts that I made last year. Nevertheless, capital expenditures at the mines and refineries of Impala rose materially to R381,4 million (R154,5 million in 1990) and are currently planned to increase further – to some R440 million – in the 1992 financial year as the expansion programme gains momentum.

Good progress continues towards the development of the Deeps. A total of 20 boreholes have now been completed and the results suggest grades similar to those in the original lease area. In April, the Board approved the first Deeps shaft, No. 15, which will eventually cost a little over R1 billion. It should reach full production in 1998 and have a life in excess of 25 years.

The sinking of No. 14 shaft continued satisfactorily and the shaft has reached a depth of 620 metres.

Construction of the plant for the two new mills and flotation circuits to extract 150 000 ounces of platinum per annum from UG2 ore is progressing well. These facilities, together with the No. 5 furnace, should be commissioned later this year. The Board recently approved a capital vote of R91,5 million for a further two mills and associated flotation equipment to add to this plant, in order to pursue further improvements in recovery. It is likely that the final two mills will be the largest ever used by the industry in southern Africa.

Capital expenditures at Messina Limited rose to R46,4 million (R17,8 million in 1990) as the project gathered momentum; an amount of R73 million is forecast for the 1992 financial year.

Since early in July 1991, our employees in Bophuthatswana have engaged in various forms of industrial action, including short strikes, working half-shifts and "go-slow" procedures. Production has been affected to some extent, but provided that normal conditions are restored in the near future, the effect will not be severe.

4. Prospects

The coming year will be a challenging one for all our employees. Management attention will focus closely on improving the efficiencies and metal recoveries of our mines and refineries, and on implementing the major capital projects in which we are engaged. I am confident that we shall make good progress.

The recent price weakness exhibited by platinum and rhodium is of course a cause for great concern, and if this persists we shall not be able to maintain the financial performance of the 1991 financial year.

B P Gilbertson
Chairman

Johannesburg
21 August 1991

Audited results for the year ended 30 June 1991

Consolidated Income Statement

	1991 (R Millions)	1990 (R Millions)
Turnover	2 269,2	2 089,9
Cost of sales	1 411,9	1 343,8
On-mine operations	1 181,8	1 076,0
Refining operations	200,5	186,2
Selling and other costs	70,3	89,1
(Increase in stock)	(40,7)	(7,5)
Income from the supply of metals produced	857,3	746,1
Expenditure on current productive capacity	95,2	107,9
Income from platinum mining operations	762,1	638,2
Income from other activities	13,6	42,8
Net interest received	67,6	57,4
Income before taxation	843,3	738,4
Lease consideration, royalties and taxation	556,6	482,5
Income before earnings from associates	286,7	255,9
Share of net income from associates	30,0	11,7
Consolidated income after taxation	316,7	267,6
Outside shareholders' interest	4,9	17,1
Attributable income	311,8	250,5
Extraordinary items (note 2)	(130,2)	16,1
Appropriated for expenditure on future productive capacity	97,1	17,3
Transfer to non-distributable reserves	10,5	–
Distributable income for the year	74,0	249,3
Retained income brought forward	216,4	369,2
Reserves available for distribution	290,4	618,5
Dividends declared	168,2	152,9
Transfer to non-distributable reserves on capitalisation of metallurgical pipeline	–	249,2
Distributable reserves	122,2	216,4
Average number of shares in issue (millions)	61,28	61,16
Earnings per share (cents)	509	410
Dividends per share (cents)	275	250

Notes:

1. ***Acquisition of a controlling interest in Barplats Investments Limited ("Barplats")***

   The company acquired, with effect from 21 May 1991, a controlling interest in Barplats. The financial results of Barplats and its subsidiaries have not been included in the consolidated financial accounts for reasons disclosed in the published annual financial statements.

2. **Extraordinary items**

   An amount of R130,2 million was raised as an extraordinary item as a provision against the underlying investment in Messina Limited, so writing that investment down to the net asset value at the date of acquisition.

3. **Change in accounting policy**

   (i) The directors considered it appropriate to change the accounting policy for expenditure on mining assets in order to achieve the following objectives:
   – to reflect better the profit from operations in any one year
   – by matching as reasonably as possible regular ongoing expenditure incurred on items to achieve and support current revenues, and
   – by giving effect to the tax benefits derived either from expenditure incurred to maintain current levels of capacity in the future or from expenditure to expand capacity, and
   – to match better capital expenditure with the source of funding.

   (ii) This change in accounting policy has had no effect on consolidated retained income at the beginning of the year. However, it has had the effect of reducing attributable income in the previous year by R137,2 million to R250,5 million.

   (iii) The details of the change in policy are disclosed in the published annual financial statements.

For and on behalf of the board

B P Gilbertson
Director

J M McMahon
Director

Declaration of final dividend

A final dividend of 195 cents per share in respect of the year ended 30 June 1991 has been declared payable to members registered in the books of the company on 13 September 1991. The register of members will be closed from 16 to 27 September 1991, inclusive. The dividend is declared in the currency of the Republic of South Africa. Payments from the United Kingdom transfer office will be made net of non-resident shareholders' tax in United Kingdom currency at the rate of exchange ruling on 30 September 1991 or on the first day thereafter on which a rate of exchange is available.

Dividend warrants will be posted on 11 October 1991.

The full conditions of payment may be inspected at the offices of the transfer secretaries of the company.

By order of the board

H J Gaylard
Group secretary

Registered Office
3rd Floor Unicorn House
70 Marshall Street, Johannesburg 2001
(P.O. Box 61386, Marshalltown 2107)

Transfer Secretaries:

South Africa:
Central Registrars Limited
154 Market Street
Johannesburg 2001
(P.O. Box 4844
Johannesburg 2000)

United Kingdom:
Barclays Registrars Limited
Bourne House
34 Beckenham Road
Beckenham
Kent BR3 4TU

Johannesburg
28 August 1991

WH Smith tops forecast with £89m

By John Thornhill

WH SMITH, the retailing group, marginally surpassed the forecast which accompanied its £148m rights issue in May by recording a £3m increase to £89m in annual pre-tax profits.

The figure for the year to June 1 was boosted by an £11.2m (£3.7m) credit from a revaluation of its pension contributions, but interest costs increased to £28.2m (£24.7m).

Sir Malcolm Field, managing director, said that set against the background of deep recession and escalating costs "we feel that our retail performance has really not been that bad."

The company had continued to win market share in every area of operations and the rights issue had provided the financial strength to invest for further organic growth, he said.

Sales declined from £2.13bn to £1.97bn, although the previous year's figure included contributions from the discontinued television and travel businesses and the now merged Do It All DIY chain. Underlying sales showed a 9 per cent improvement.

Trading profits from retailing operations – which include the WH Smith newsagents chain, Waterstone's bookshops, Our Price video and record stores and the Paperchase stationery chain – edged ahead by £200,000 to £87.8m.

Tony Andrews

Sir Malcolm Field: creditable retail performance achieved

The newspaper, books and office supplies distribution businesses also saw profits grow marginally from £24.1m to £24.3m.

Office supplies were hit by the recession, with some accounts suffering a 20 per cent drop in orders, but these were offset by the division winning 400 new customers.

Following the joint venture agreement in June 1990, the Do It All chain was being successfully integrated with Boots's Payless business, Sir Malcolm said. Better margins and lower costs had resulted from the deal and the equivalent of 900 full-time staff had been shed.

The recent disposal of television activities and the travel business had "cleared the decks" and provided a stronger base from which to expand core operations.

The proceeds from the rights issue and cash inflow from disposals would almost eliminate group borrowings, which at the year end were £231m.

An extraordinary charge of £13.7m (£27.4m credit) largely reflected the losses on the group's disposals minus the pension surplus attributable to the merger of Do It All.

Profits of the US record businesses were adversely affected by exchange rates and their contribution fell to £4m (£6m).

Earnings per share slid to 29.8p (29.9p). The final dividend is raised to 8.5p, lifting the total to 12.5p (11.5p).

The A shares rose 12p to 459p on the day.

See Lex

Stakis sells discos and pubs to S&N for £22m

By James Buxton

STAKIS, the hotel and healthcare group which is planning to slim down its activities to reduce debt, is to sell a collection of public houses and discos in Scotland to Scottish & Newcastle Breweries, for £22m.

The sale is the first of a series of disposals under Sir Lewis Robertson, who took over as chairman last March from Sir Reo Stakis, the founder, with a brief to restore the company's fortunes.

In June he announced a plan to make Stakis' hotels and nursing homes the company's core businesses, to sell off Stakis Leisure, which runs pubs, discos, restaurants and casinos, and to run down Stakis Land & Estates, the property division. Net debt was about £200m in June and gearing was about 70 per cent.

The group made a first-half loss of £45.1m (profit £11.8m) including provisions. Mr Andros Stakis, Sir Reo's elder son, who was chief executive, left the company. A new chief executive is being sought.

Under the deal with S&N, Stakis will sell 25 pubs, five off-licences, five discos and one steakhouse, most of them in the Glasgow area. The sale price, payable as soon as licensing procedures are complete, is in excess of the properties' book value of £18.8m on September 30 1990. They made pre-tax profits of £2.4m.

Stakis Leisure still wants to sell 19 casinos, 14 pubs in England, seven restaurants and a golf course.

S&N said the purchase fitted in with its strategy for public houses. The company now has about 1,970 tied houses, 30 below thw maximum.

Slough Estates declines 42% but optimistic about prospects

By Roland Rudd

SLOUGH ESTATES, the fourth largest UK property group, yesterday reported a 42 per cent fall in taxable profits from £32.6m to £19.1m for the six months to end-June, after making provisions of £10.9m against possible trading losses.

The provisions reflected a further deterioration in the UK property market. Trading property sales made no net contribution to profits compared with £10.6m during the comparable period.

Sir Nigel Mobbs, chairman and chief executive, said although it was difficult to judge prospects for the property markets in which the group operates he was "guardedly optimistic" that some improvement could be expected, particularly for industrial and retail properties.

Mr Graeme Elliot, vice-chairman, said he believed the recession had bottomed in the UK and there would be no more provisions against falling property values. The company had to write-down £63.8m for the 1990 year.

This year's provisions, described by Mr Elliot as "tidying up operations", resulted from a fall in the value of three Australian properties and a decline in rent from properties owned by associated companies on the fringes of the City of London.

The group's cautious optimism was underlined by its decision to increase the interim dividend by 0.2p to 4.4p. The final dividend is also expected to be increased by about 5 per cent.

In the UK both business tenants and property in general remained difficult, although some progress was made on leasing retail units. Australian property remained poor.

Demand was more buoyant in Europe, and in Belgium development and leasing activity has increased, with 90,000 sq ft of the 124,000 sq ft completed already leased. North America also showed signs of improvement.

Basic earnings per share fell from 9p to 4.7p.

● **COMMENT**

Property companies have called the end of the recession before and come unstuck, Barratt being an obvious example. So Slough's prediction, admittedly hedged, that the worst is over should be greeted with some scepticism. There are plenty of companies with property interests which have failed to see the light at the end of the tunnel. However, what is not in doubt is that Slough is now in a better position to take advantage of the upturn, whenever it comes. Gearing, which at the end of last year had jumped to more than 70 per cent, has fallen to below 50 per cent, helped by the recent £138m rights issue. The balance sheet should be further helped by the drop in capital expenditure for property investments, running at about £50m. Analysts are expecting a slight fall in net asset value per share to about 350p. On this estimate the shares should be trading at the end of the year at a discount to assets at about the market average of 22 per cent.

Bridon tumbles to £100,000

By John Murrell

MR JOHN West, chairman of Bridon, the Doncaster-based wire rope maker, yesterday reported a slump in pre-tax profits from £7m to just £100,000 for the six months to end-June.

He said the recession, which had struck the group at home and overseas in the second half of last year, had been even more pronounced over the opening period this time.

Businesses in the US, Australasia and most of Europe had been affected and had led to the closure of marginal operations which no longer met the group's needs.

As a result, rationalisation costs of £2.7m were taken above the line while restructure and closure costs of £2.4m were encompassed within extraordinary debits of £1m.

Group turnover fell to £161.6m (£173.3m) with the contribution from the wire rope companies falling from £118.2m to £105.8m. Trading profits from this division were more than halved to £3m (£6.4m).

Earnings fell to 0.2p (9.4p) per share but the interim dividend is maintained at 2.5p.

Directors said that tight control of cash and working assets resulted in lower gearing and a still strong balance sheet.

For the 1990 year as a whole, taxable profits fell to £10.1m (£16m) after a sharp fall in the second six months, particularly in the construction and automotive sectors.

DIVIDENDS ANNOUNCED

		Current payment	Date of payment	Corres - ponding dividend	Total for year	Total last year
Barr/Wall Arnold	int	3	Oct 25	3	-	9.75
Bridon	int	2.5	Jan 3	2.5	-	8
Clondalkin	int	1.698♣	-	1.572	-	4.056
Edmond	int	0.65	Nov 11	0.65	-	1.85
Friendly Hotels	int	2.2	-	2	-	5
Grafton	int	2.5♣	-	2.5	-	6
GRE	int	4.4☆	Jan 6	4.4	-	11.9
Ladbroke	int	4.92	Nov 2	4.68	-	10.61
Serco	int	4	Oct 22	3.5	-	11
Smith (WH) A	fin	8.5†	Oct 18	7.5	12.5	11.5
Slough Estates	int	4.4†	Oct 7	4.2	-	11.35
Trio Inv Trust	fin	1	Nov 18	-	1	-
Williams Hldgs	int	5†	Oct 3	4.75	-	12

Dividends shown pence per share net except where otherwise stated. *Equivalent after allowing for scrip issue. †On capital increased by rights and/or acquisition issues. §USM stock. ☆Carries scrip alternative. ♣Irish currency throughout.

NEWS DIGEST

Motor side hits Barr & W Arnold

A SETBACK in the motor distribution division dragged pre-tax profits at Barr & Wallace Arnold Trust down from £1.35m to £1.07m over the six months to June 30.

Profits in the division fell 23 per cent to £1.02m (£1.33m).

The leisure and holidays division put in £472,000 (£482,000) and fuel distribution contributed £195,000 (£185,000).

However, the parent company and the property division deducted £617,000 (£596,000) from the operating total.

B&WAT has continued to pursue its policy of reducing group borrowings with the disposal of two dealerships.

Earnings slipped to 5.5p (6.9p) per share and the interim dividend is maintained at 3p.

Asset value of 203.8p at Scottish Inv Tst

The nine months to July 31 ended with net asset value of 203.8p at the Scottish Investment Trust, against 163.5p nine months earlier and 198.5p at the end of April.

Gross investment income rose 7 per cent to £17.9m (£16.7m) but increased interest costs resulted in a £500,0000 fall in pre-tax revenue to £11.5m.

Weak prices hit margins at Edmond

Edmond Holdings, the Hull-based housebuilder which in July terminated talks which might have led to an offer, yesterday reported pre-tax profits down from £1.48m to £856,000 for the six months to June 30. Sales fell 23 per cent to £7.3m (£9.44m). After tax of £255,000 (£502,000) earnings came out at 1.19p (1.93p). The interim dividend is maintained at 0.65p.

Mountleigh managers get 96% rise despite losses

By Michiyo Nakamoto

MOUNTLEIGH, the heavily-indebted UK property group, nearly doubled its remuneration to management in a year when pre-tax losses more than doubled from £46.8m to £96.1m.

The management received a 96 per cent rise from £1.06m to £2.08m in the year to end-April, according to the annual report.

Mr Nelson Peltz, Mountleigh's American chairman and the highest paid director, received a salary increase to £457,00 from a previous £310,000.

Mr Peltz and Mr Peter May, a fellow American and joint managing director, were both criticised by the Stock Exchange for selling half of their 22.5 per cent stake in the group during its two-month close period before announcing the 1991 results and a controversial £96m rights issue.

The two men are major shareholders who took control of the group in 1989. They have both agreed, however, to waive emoluments amounting to £175,000 and £90,000 respectively in the current financial year to April 30 1992.

Mr Peltz and Mr May are also the owners of companies which provided services to Mountleigh costing £718,000 in the year to end-April 1991 against £882,000 a year earlier.

These services, which were carried out mainly by employees of Trian, a US company owned by the two, include studies of Galerias, the Spanish department store group owned by Mountleigh, and consultations on innovative financing techniques for the UK property business.

Part of the costs also covered the use of a company jet owned by Trian.

Wates City purchase

Wates City of London Properties has acquired the freehold of 35 Basinghall Street from Trafalgar House for £19.3m cash.

The 1960s building is occupied by Slaughter & May, solicitors, at an annual rent of £1.79m, subject to review in 1996. Planning consent for about 70,000 sq ft of offices was obtained last year.

هكذا من الاصل

UK COMPANY NEWS

Ferranti sells US warheads side

By Michael Skapinker

FERRANTI International has disposed of the warheads and explosives business of its US-based Marquardt Co to MA Acquisition Corp of California, for $15m (£9m).

The business, which includes the manufacture of cluster bombs, is a small part of Marquardt, which Ferranti said it would like to sell. It is still looking for buyers for the propulsion systems and rocketry side of the business and for land in Los Angeles on which Marquardt has its facilities.

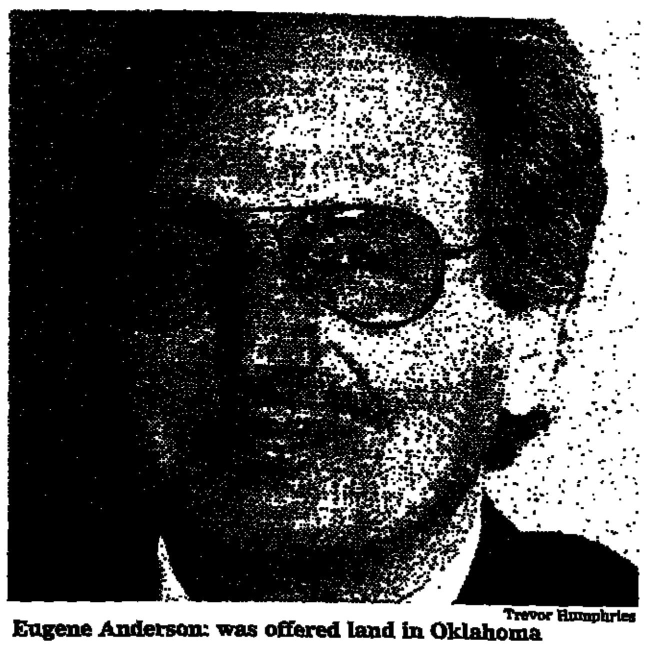
Ferranti said only 80 employees, out of 588, worked in the part of Marquardt it has sold.

MA Acquisition was formed specifically to take over the warheads and explosives business. It is controlled by Mr Ron Spire, a local lawyer and businessman, who said he intended to give Marquardt's management a stake in the company. He would like to expand into contract manufacture for civil airlines. Finance for the purchase had been provided by Ferranti and would be paid back over two years.

Ferranti will retain ownership of accounts receivable from the business as well as some of the manufacturing facilities. MA Acquisition will acquire work-in-progress and the rest of the manufacturing facilities. It will lease a part of the Marquardt site. Following the acquisition, MA Acquisition will trade under the name of Marquardt Manufacturing.

Mr Eugene Anderson, Ferranti's chairman, examined the possibility last year of moving Marquardt to Oklahoma where the company was offered 100 acres of land for a nominal $10. That would have enabled Ferranti to sell Marquardt's property in California.

● Grant Thornton, Ferranti's auditors, said the company's 1991 financial statements gave a true and fair view, but pointed out that the company was in default on its agreements with its banks. The banks have agreed to waive the defaults until November 9 while talks take place.



Trevor Humphries

Eugene Anderson: was offered land in Oklahoma

Strong & Fisher back in the black with £5.23m

By Peggy Hollinger

STRONG & Fisher, the leather company rescued last year by Hillsdown Holdings, swung back into profit in the six months to June 30.

Mr Mike Buswell, chairman, noted that all four divisions had made profits.

Strong, which is reporting in three six-month tranches to bring it into line with Hillsdown – which holds 70 per cent of the equity – announced pre-tax profits of £5.23m, against a £16.67m loss in the comparable period.

An aggressive cost-cutting programme – including the closure of four businesses, a 30 per cent reduction in tanning capacity and 266 job losses – contributed "a considerable amount" to trading profits, Mr Buswell said. "If we hadn't taken that action we would not have made much money."

The group had reduced its dependence on clothing leather, but Mr Buswell warned that this business was still a critical factor. Therefore "we must be cautious about the year-end result."

Turnover rose 21 per cent to £44.3m, following the injection by Hillsdown of rendering, hide and skin businesses.

Interest receivable was £918,000 compared with a charge of £4.9m.

Basic earnings per share swung back into the black at 2.7p (94.1p losses) or 2p on a fully-diluted basis.

The group is planning to pay dividends on ordinary shares, but is withholding the interim distribution.

Tranwood shares suspended at 1p

Dealings in Tranwood shares were suspended at 1p yesterday at the request of the USM-quoted financial services group pending clarification of its financial position.

On August 9 the shares fell from 1¼p to ¼p after the group's bankers failed to reach agreement on a £9m debt-for-assets swap.

In the late 1980s, Tranwood, led by Mr Peter Earl, made unsuccessful break-up bids for Extel, London and Northern and Storehouse. But by 1990 it had fallen into losses of £15m.

Interest income helps Monument Oil to £3.64m

MONUMENT OIL and Gas, the exploration and production company, returned profits of £3.64m pre-tax for six months to June 30, an improvement of 18 per cent over last time's £3.08m.

The outcome benefited from a £1.67m rise in interest income to £2.94m and exchange gains of £240,000 compared with a small loss previously.

Turnover rose to £16.3m (£14.6m) helped by the sale of gas from Ravenspurn North, which was not on stream during the first half of 1990.

Excluding the Harriet field in Australia, in which Monument recently acquired a 12.5 per cent interest, production averaged 8,700 barrels of oil equivalent per day during the opening half, an increase of some 13 per cent over the average for 1990. The average sterling oil price realised was £10.77 per barrel, marginally higher than 12 months earlier.

Attributable profits emerged at £3.65m (£3.04m) and earnings per share at 0.58p (0.55p). Comparable figures have been restated to take account of the acquisition of the exploration interests of Nimex Resources in July 1990.

NEWS DIGEST

Friendly Hotels falls to £1.35m

FRIENDLY HOTELS, the hotel operator, suffered a 47 per cent decline in taxable profits for the 24 weeks to June 16 1991.

On turnover down from £13.9m to £12.8m the pre-tax result came out at £1.35m against £2.53m. Mr Henry Edwards, chairman, said that poor trading in the early part of the year as a result of the Gulf war and adverse weather conditions could not be compensated for in the remainder of the period.

Earnings fell from 14.2p to 5.9p basic but the interim dividend is stepped up to 2.2p (2p).

Net assets decline at Murray Intl Trust

Murray International Trust had a net asset value per share of 252.8p at the half-year ended June 30, a 3.4 per cent reduction from 261.7p at the interim stage last time.

After tax of £2.4m (£2.57m) available revenue emerged at £6.44m (£6.79m). Earnings came out at 5.43p (5.73p) or 5.35p (5.64p) assuming full conversion of the B ordinary shares.

As announced in March, the interim dividend is increased to 7.5p (6.84p) and an already forecast final of 3.4p will raise the total to 10.9p (10.2p). Yesterday, the trust forecast a 7.9p interim distribution for the first half of 1992.

Trio Investment assets at 42.47p

Net asset value per share of the Trio Investment Trust, which was incorporated in June 1990, amounted to 42.47p at end-June 1991.

Net profits for the year worked through at £55,000, equal to earnings of 1.37p. Dividend is 1p.

Grovewood in fresh talks with banks

Grovewood Securities, which last October took over Priest Marians Holdings, the loss-making property company, yesterday announced it was in discussions regarding the renewal for a further 15 months of the standstill agreement with Priest's bankers made at the time of the acquisition.

It said that if satisfactory agreement was reached additional equity finance would be required.

Grovewood's shares fell 4p to 20p

Public sector work aids Serco's 23% gain

By Jane Fuller

SERCO GROUP, which manages support services for public sector and commercial clients, increased pre-tax profit by 23 per cent from £2.01m to £2.48m in the first six months of this year.

Turnover rose 34 per cent to £46.8m (£35m) after the inclusion of nearly £5m from acquisitions in the local authority field.

Mr Richard White, managing director, said the purchases had been for cash and carried a debt burden which reduced their contribution at the pre-tax level.

About 70 per cent of the business came from the public sector, with about two thirds of that at defence installations. Although this part of the business would shrink in the long term, the immediate effect of the defence spending review had been to encourage contracting out to save costs.

At the local authority level, Serco was managing services ranging from traffic signal maintenance to the upkeep of public parks and gardens.

Other growth areas in the public sector included the maintenance of buildings and estates, and work for the National Health Service.

On the commercial side, Mr White said the recession had hastened the process of companies contracting out the maintenance of buildings and equipment to cut costs.

As to how Serco made a profit out of these cost-cutting exercises, Mr White said: "Any existing organisation has inefficiencies, either because of unionised working or its historic procedures."

The group's gearing averaged 50 per cent in the first half, compared with 24 per cent at the year-end, reflecting acquisition costs. Interest payments were not broken out, but Mr White said they were more than six times covered.

Fully diluted earnings per share rose by 19 per cent to 15.3p (12.9p). There were more shares in issue as the management and staff had taken up options. They hold nearly 30 per cent of the equity.

The interim dividend goes up to 4p (3.5p).

Prices for electricity determined for the purposes of the electricity pooling and settlement arrangements in England and Wales.

1/2 hour period ending	Provisional Price for Trading on 30.08.91: Pool purchase price £/MWh	Final Prices for Trading on 02.08.91: Pool purchase price £/MWh	Pool selling price £/MWh
0030	17.85	17.18	20.00
0100	15.69	15.67	15.67
0130	15.61	15.51	15.51
0200	15.61	15.52	15.52
0230	15.59	15.52	15.52
0300	15.65	15.51	15.51
0330	15.66	15.51	15.51
0400	15.61	15.51	15.51
0430	15.65	15.51	15.51
0500	15.67	15.51	15.51
0530	15.65	15.49	15.49
0600	15.59	15.51	15.51
0630	15.95	15.58	15.88
0700	15.69	17.21	20.05
0730	18.28	17.21	20.04
0800	18.80	18.87	19.87
0830	19.08	18.17	21.00
0900	21.98	18.87	21.72
0930	23.73	21.45	24.36
1000	23.77	21.45	24.36
1030	23.76	21.45	24.35
1100	23.78	21.45	24.38
1130	23.84	21.45	24.36
1200	23.87	24.40	27.37
1230	23.78	24.40	27.37
1300	23.11	21.45	24.38
1330	21.87	18.87	21.72
1400	19.07	18.27	21.09
1430	19.08	18.27	21.09
1500	21.84	18.27	21.09
1530	21.84	18.27	21.09
1600	21.00	19.98	22.84
1630	22.96	21.32	24.23
1700	22.96	19.96	22.83
1730	22.98	18.11	20.93
1800	22.98	18.11	20.93
1830	19.05	17.97	20.79
1900	18.90	17.93	20.76
1930	18.90	17.93	20.76
2000	18.40	18.70	21.56
2030	18.40	18.70	21.55
2100	27.50	17.08	19.89
2130	27.50	17.08	19.89
2200	18.28	21.00	23.93
2230	17.59	21.00	23.91
2300	17.48	21.00	23.93
2330	17.48	21.00	23.97
2400	17.31	17.08	19.92

Prices are determined for every half-hour in each twenty-four hour period. Prices are in pounds per megawatt-hour, rounded to two decimal places. To convert prices to pence per kilowatt-hour the decimal point should be moved one place to the left, eg £16.88/MWh becomes 1.688p/KWh. Provision for the determination of pool prices is made in the Pooling and Settlement Agreements which govern the operation of the electricity pool in England and Wales. The Pool Purchase Price is the basis of the majority of payments made to generators in respect of electricity traded through the pool. The provisional Pool Purchase Price is subject to revision or correction until final pool prices are determined approximately twenty-four days after the day of trading. Pool Selling Price is the price paid by purchasers of electricity under the pool trading arrangements. It is dependent upon the determination of Pool Purchase Price. Final pool prices are also capable of revision.

NGC Settlements Limited

TECHNOLOGY

Steering clear of a crash, bang horror

The number of road deaths is rising. **Della Bradshaw** on systems designed to curb accidents

A second of inattentiveness, ice on the road or fog rolling across the road...the result can be the familiar motorway carnage.

More than 5,000 people were killed on British roads last year, according to the Department of Transport. In the US, the figures are even more tragic: 47,000 people killed and 3.5m injured, says the National Highway Administration.

"More people die on American highways every year than were killed in Vietnam," says Paul Bouchard, president of IVHS Technologies, of San Diego, California. "It's an accepted thing. But it doesn't have to be."

Bouchard's company is of several working on "crash avoidance systems" – electronic systems which help drivers gauge the distance between themselves and other vehicles or objects, and warn them if they are about to hit it.

The systems currently under development alert drivers that they are moving into a dangerous situation. But in the future such systems could actually take over from, say, a drunken or sleepy driver and apply the car brakes to prevent an accident.

As well as the potential savings in human misery, the enormous market for such systems – there are more than 400m registered vehicles worldwide and some 50m new vehicles are made each year – has attracted political interest. In its report "Toward a National Semiconductor Strategy", published in February, the US's National Advisory Committee on Semiconductors identified intelligent vehicle and highway systems (IVHSs) as one of a handful of big opportunities for the US electronics industry.

Several technologies are under consideration for crash avoidance systems, but most work in a similar way.

A light or sound signal is sent out from a unit bolted to the front of the car. This reflects off the vehicle in front and the speed or frequency of the return signal is used to measure the distance between the two cars. By measuring the distance on a regular basis, and by combining this information with data from the car's speedometer, for example, an on-board computer system can calculate not only the distance but the speed at which one vehicle is advancing towards the other.

Whatever the technologies used, the problems are similar, says Hans-Peter Glathe, head of the Prometheus office for Daimler-Benz. The Prometheus research project supports European car makers and universities in developing technologies for safer and more economical driving.

Lifesaver: Paul Bouchard, of IVHS Technologies, with the 'crash avoidance system'

First, says Glathe, the sensor system has to distinguish between cars and other objects – particularly metal ones – on the road or alongside it.

Then the data has to be combined with other information and analysed using sophisticated computer processing. A decision has then to be taken about whether the driver should be warned of impending danger. Just what is dangerous and what is not is one of the decisions that has be determined before such systems can be introduced, says Glathe.

Finally, the information has to be given to the driver: this could be in the form of a voice or a visual display. In the case of the IVHS Technologies' system, a series of changing sound tones indicate to the driver that he or she is moving into a dangerous situation, or should take immediate action to avoid a crash.

Five technologies have received particular attention for crash avoidance systems, each with its own advantages and drawbacks:

- Ultrasonic sensors, often used for automatic focusing of cameras, which transmit ultrasonic sound waves.
- Infra-red sensors, which use light signals at a similar frequency to those used in television remote control units.
- Lasers, used in military guidance systems and communications fibres, which are invisible light signals.
- Radar, which is widely used by aircraft and ships to transmit a radio signal in the microwave frequencies.
- Video or thermal cameras, which transmit photographic or heat images to provide a second pair of eyes.

Cameras need a powerful computer to process the images, while ultrasonic sound travels relatively slowly. Infrared systems and lasers can have difficulty penetrating fog and dust. There are also some industry worries that lasers could cause eye damage to pedestrians when cars travel at low speeds.

Radar has sufficient speed and fog penetration, but traditionally has been expensive to develop. And, because US authorities insist that only low-powered signals can be transmitted, it is difficult for radars to distinguish a vehicle ahead from objects around it.

IVHS Technologies believes it has overcome many of the problems of radar through the use of mathematical algorithms and circuitry, while maintaining the low power output. Bouchard says that it would take 1m systems from IVHS Technologies to emit the equivalent power of a domestic microwave oven.

IVHS Technologies' Vorad system for commercial vehicles – some US trucking companies are already testing the system – will cost $1,500 (£892.80) when launched next year. In two to three years, when Vorad is available for cars, Bouchard believes it could cost as little as $500 (£297.60).

As well as the advance warning system the Vorad also has a "black box" unit, similar to those used on aircraft. The computer system samples data from the radar 10 times a second, and stores 15 minutes worth of data in the unit.

Not surprisingly, this help in apportioning blame after an accident, as well as crash prevention, has attracted the attention of Allstate Insurance, of Chicago, one of the largest motor insurance companies in the US. Allstate has provided financial backing for the IVHS Technologies' development.

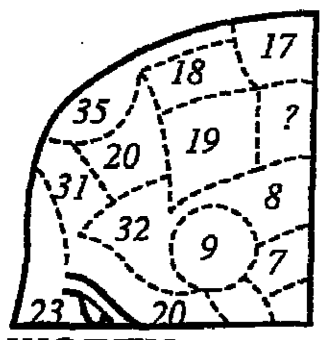
Rich Rosenthal, assistant vice-president in the strategic planning department of Allstate, says his company is taking a active interest in emerging technologies which can prevent accidents. Rosenthal does not necessarily believe that individuals who use accident prevention systems will get reduced insurance premiums. But, he says, "we think the overall affordability and availability of insurance will improve because these systems will drive a lot of the costs out".

Elsewhere, IVHS Technologies has already demonstrated a working system of automatic braking. By connecting the crash prevention system to the braking system, the car can override an inattentive driver to help prevent a crash.

This, however, raises questions about who is in charge of the car. If the control system took over completely from the driver and the vehicle crashed, who would be responsible for the accident?

Such issues are particularly important in the US, where even the term "crash avoidance" has come under legal scrutiny. Many think the term will have to be altered to "crash warning" to prevent the finger of blame for accidents being pointed at the equipment makers.

IVHS Technologies is also looking at combining Vorad with detection systems on the back and side of cars so as to aid parking. Several companies are working on such sensors which eliminate the blind spot when reversing. Although technically similar to crash avoidance systems, parking aids are easier to develop because they only involve scanning a short distance. Crash avoidance systems, on the other hand, have to scan some 100 metres ahead to warn of impending accidents.



WORTH WATCHING

by Della Bradshaw

PCs with power

THE popularity of graphical user interfaces and complex software has demonstrated to many companies that their new high-powered PCs soon prove to be short of processing power.

To try and overcome the problem in the future, Tandon has launched a "mix-and-match" PC that enables customers to buy the processing capacity and disc storage that they need today, and then swap those for more powerful components as their needs change.

To replace a processor or disc drive, the dealer or data processing manager opens the front of the processor box and unclips the packaged processor board or disc drive.

The MCS has five processor options, from the simplest Intel 286 processor to a sophisticated 486 one. Each machine has three module "bays", for any combination of floppy and hard disc drives.

Immigrants' input in Israel

AN alloy made from aluminium and lead, which could reduce the cost of hydraulic bearings for engines by half, is being developed in Israel.

The new alloy could replace existing copper and tin bearings in most standard vehicle engines, and should reduce friction, say the researchers working on the project.

The problem in making such an alloy is that because one element is so heavy and the other so light, gravity pulls the two metals apart. To date the only way of successfully creating the alloy has been the do so in outer space or in a centrifugal chamber – both methods have proved very expensive.

The breakthrough made by the Ofakim Technological Incubator Programme is to use magnetic levitation to hold the alloy together. The Ofakim programme was set up at Ofakim, in the Negev desert, to develop the inventions of recent Soviet immigrants to Israel.

Baby watcher

A BABY monitoring system, which does not require any contact between the equipment and the baby, has been developed to warn parents when their infants have ceased to move – and therefore could be experiencing sudden infant death syndrome, or cot death.

Developed by Pera, the Melton Mowbray-based contract research organisation, for Medical Sciences, of Rochester, Kent, the equipment relies on a sensor mat, placed between the cot mattress and the sheet.

The mat is connected to an electronic monitor unit, which emits audible signals. If there is no movement for 15 seconds the unit emits a low alarm, intended to wake the baby. If this has no effect a louder alarm, to wake the parents, is sounded.

The unit is undergoing clinical trials at the John Radcliffe hospital in Oxford, and Medical Sciences believes the unit could be on sale through specialist outlets later this year.

High-tech farm hand

SATELLITES and smart cards are now helping farmers in northern England to calculate which parts of their fields give the highest yield.

Two Massey-Ferguson 28 machines, equipped with yield meters and satellite receiving aerials, are giving exact records, virtually yard-by-yard, of the yield of the area.

The aerial picks up signals from the global positioning system satellites launched by the US government, which tell the combine its exact position. This information is combined with data from a yield meter on the vehicle, which measures the crop as it is harvested. The total information is then stored on a credit card-sized smart card, which is transferred from the combine to the farm computer, where the data are printed out to give a yield map of the field.

The map can be used by the farmer to investigate sections of the fields where yields were low, enabling the farmer to plan the appropriate fertilisers or spray treatments.

The write screen

TRADITIONAL computer screens, which are wider than they are deep, are fine for spreadsheet applications where the text and figures need to be spread across the screen. But for writing a letter many scribes would find it easier to have a deeper, screen, so that the whole letter can be viewed on the page at once.

Radius, of San Jose, California, has overcome the problem with a screen that pivots to give both portrait (vertical) format for letters and landscape (horizontal) format for spreadsheets. When the 15in colour screen is pivoted by a 90 degree twist of the display, the text and graphics are re-formatted to fit the altered screen size. This is achieved through the use of a position sensing device, which re-orientates the image in seconds.

The screen can be used with any IBM or compatible PC fitted with a Radius circuit board.

3M wins 20-year laser race

THE 20 year race to develop a blue-green laser appears to have been won by 3M, the US materials group, based in St Paul, Minnesota.

Because blue-green lasers emit light with a shorter wave-length than red or infrared lasers, they could potentially increase the amount of data stored on optical and compact discs. The dark blue crystal, set on a microchip and patterned into six sections, each of which emits a blue-green beam of pulsed laser light, could also be used to enhance imaging for medical diagnostics.

3M also believes the laser, which will not be commercially available for several years, could speed up the replacement of glass by plastic in fiber optic cables.

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THE PROPERTY MARKET

How the downturn derailed BR

By Vanessa Houlder

After hurtling through the 1980s, British Rail's property bandwagon has gone off the rails. Last year property takings slumped by more than half, helping to turn BR's overall surplus of £269.8m in 1989-90 into an overall deficit of £10.9m in the year to March 1991. Today it is saddled with a rash of empty new developments and bleak prospects for other schemes.

The bandwagon is unlikely to roll as feverishly again. In the view of Mr Douglas Leslie, managing director of British Rail Property Board (BRPB): "The period between 1986 and 1989 was an aberration. The world went mad. Historically it will be considered a period of absolute euphoria," he says in his office overlooking the Broadgate complex.

Broadgate, a high-profile office park at the edge of the City of London, was developed by BR in partnership with Rosehaugh Stanhope Developments. It is a prime example of how BR's underused and derelict land was given fresh life in the boom. The new buildings behind Liverpool Street Station have pushed the City's boundaries north into Hackney.

Broadgate was not alone. Large, often spectacular, buildings were constructed over railway stations at Charing Cross, Cannon Street, Fenchurch Street and Victoria. They were often technologically ingenious – notably the office development at Ludgate. "It was a time when anything was possible," says Mr Leslie.

BR was involved in 260 projects covering 15m sq ft in partnership with the private sector, representing an investment of nearly £1bn. Net sales rose from £28.9m in 1982 to £319.2m in 1989-90 and gross annual rental income rose from £61.1m in 1982 to its present level of £130m, despite the reduction of rental income through sales. The benefits of its property holdings were so great that BR was described by one ironic observer as "a property company with an irritating transport system attached".

The property bubble burst first in the residential and then the office market. Revenues from property sales and development fell by more than 60 per cent to £121m last year.

The difficulties are threefold:

- the property market has collapsed;
- the rail network is no longer shrinking;
- BR has already sold off most of its jewels.

"The land bank available for sale is going into sharp decline," says Mr Leslie, who puts the value of non-operational land at £250m.

The British Rail Property Board has been selling land ever since it was set up in 1969. First to go were goods yards and rail lines no longer needed after the sweeping cuts made by Lord Beeching three decades ago.

Subsequently the rising price of land persuaded BR to rationalise its land holdings. Underused engineering depots and sidings were sold off. "It was a period when the railway's aspiration for change conspired with our ability to do things," says Mr Leslie.

Some of that ability has been destroyed by the downturn. Today BR's vacant land tends to be particularly expensive to develop because of the need for associated transport improvements. As a result most of BR's large schemes have been put on ice. Mr Leslie reckons that the development of the Bishopsgate goods yard will not go ahead before 1995. Of the King's Cross scheme he predicts merely that "a major start will be made this decade". Inevitably, he says, these very large, complex projects take a long time to come to fruition. "People forget that Broadgate started in 1964," he says.

If British Rail is judged as a transport company needing more funds for new investment, the delays affecting its property projects and the diminished scope for property sales (which are likely to total about £85m this year) are a serious matter. If, however, it is judged by the dismal standards of most property companies, its woes are relatively modest. Because it cannot take risks on its own account, its development interests are confined to ground leases, which has curbed the damage caused by the downturn.

"Basically, we are a management company," says Mr Leslie of BRPB. The bulk of its work is concerned with managing its estate, which encompasses a vast number and range of tenants. Just 1 per cent of its income is produced by 84 per cent of the tenants who, individually, pay under £250 a year. Overall, the rent roll of £140m produces £97m after expenses.

Mr Leslie is sanguine about the impact of the recession on BRPB's rental income. "Our turnover is just beginning to reflect the recession but not in a way that we have a major problem on our hands. I am quite bullish about rents," he says.

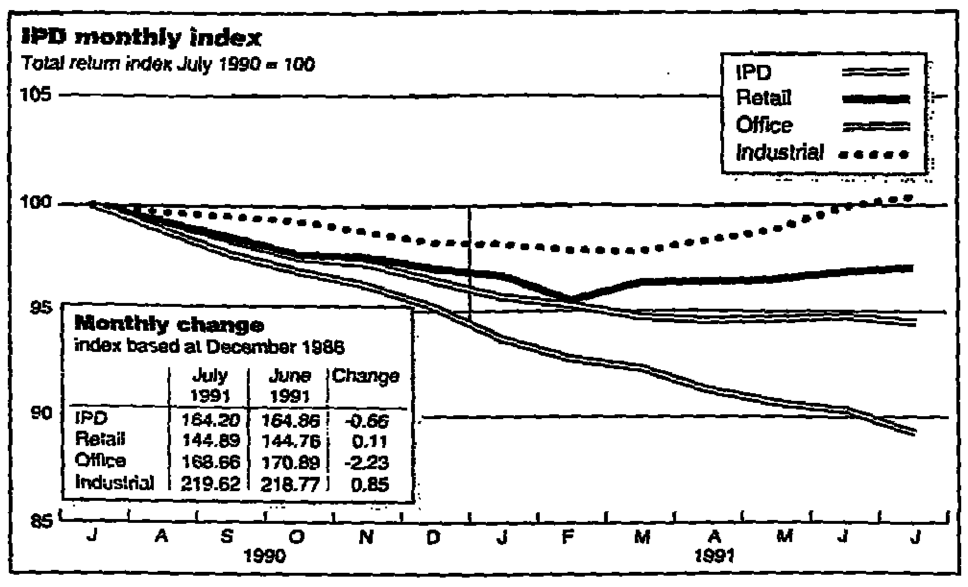
He reckons that property values have bottomed. At the start of April, book values were written down by 15 per cent. "To take significant writedowns at the end of this year, yields would have to soften," he says.

At the same time as it grapples with the market's downturn, the property board has been adapting to the reorganisation of BR's regions into businesses. Mr Leslie is unperturbed by the possibility of further changes which could arise if BR were privatised.

"Privatisation will affect us not at all," he says. We have already completed the biggest restructuring since we were nationalised. We have taken the view that we should behave as if we were a private organisation."

The debate about privatisation has led to the suggestion that a change of ownership would lead to more aggressive management of BR's property. It is a suggestion Mr Leslie treats without enthusiasm. "We are driven very hard to produce property receipts," he says, although he concedes that this is not necessarily the view of those outside the industry.

He blames the delay that often occurs between someone buying and developing BR's derelict land. "The amount of derelict land outside our ownership exceeds that in our ownership," he says. "We suffer from a railway line looking like one until someone does something with it."



Capital values drop steeply

THE slide in capital values, which had appeared to be easing in the first six months of the year, suffered an abrupt worsening in July, according to the IPD monthly index. There was a 1.0 per cent drop in capital values, the worst monthly fall since March.

The capital value index is back to levels last seen in the summer of 1988. Capital values have fallen 17.6 per cent since their peak in October 1989, while the Retail Price Index has risen 13.8 per cent.

In July, rental values continued their steady fall, with the index dropping by 0.3 per cent. For all properties, the total return was -0.4 per cent in July, and -5.6 per cent over the previous 12 months.

The drop in capital values for offices was almost twice as bad as in the all-properties index. The office sector recorded a 1.9 per cent drop in capital values in July, and has now fallen 21.9 per cent since its peak in December 1989. Rental value for the office sector dropped 0.7 per cent. The sector's total return was -1.3 per cent on the month, -10.9 per cent over the previous 12.

In the retail sector, rental values dropped by 0.1 per cent in July, capital values dropped 0.5 per cent and the total return for the month was 0.1 per cent, with -3.0 per cent over a 12 month period.

Total return for industrial properties was 0.4 per cent on the month, 0.3 per cent over the past 12 months. This was the only sector to record a rise in rental values on the month, up 0.2 per cent. Capital values dropped by 0.4 per cent.

COMMODITIES AND AGRICULTURE

Radical plan proposed for Brazilian farm sector

By Victoria Griffith in Sao Paulo

MR ANTONIO Cabrera, the Brazilian Minister of Agriculture, yesterday proposed radical moves to facilitate financing for the country's ailing farm sector. The initiatives include the legal prohibition of any government price freezes in the sector, the creation of an international rural investment fund and the formation of joint ventures between Brazilian and foreign banks to make farm loans.

Mr Cabrera has asked Mr Marcilio Marques Moreira, the economics minister, for immediate approval of a rule permanently eliminating price ceilings. The agriculture minister has even laid his job on the line in his demand for the new law. "If this rule is not passed," he said, "I will hand in my resignation."

According to Mr Cabrera, the abolition of price freezes is vital to the development of strong commodities futures market in Brazil. "I am aiming to build the futures market here into one of the biggest in the world," he explained. "I believe that within one year, Brazilian farmers will receive most of their financing from the futures exchange."

The moves are part of a process to wean the country's vast agricultural sector from government support.

"Farmers will no longer be able to depend on the government for help in terms of loans and price supports," said Mr Cabrera. "But we have to create alternatives. We can't afford to ignore agriculture, which currently accounts for 43 per cent of Brazil's gross domestic product."

Brazil already boasts the only commodities futures exchange in South America, known as the Bolsa de Mecantil & de Futuros (BM & F). Based in Sao Paulo, the exchange was strengthened several months ago by its merger with the country's financial futures exchange. About 650 traders jostle daily in the heart of Sao Paulo's financial district to purchase futures in gold, dollars, interest rates, coffee, beef and cotton.

Mr Luiz Masagao Ribeiro, president of BM & F, believes the greatest hindrance to the exchange's growth has been the ever-present fear of government intervention.

"We have suffered the enforcement of three different price tables over the last few years," he complained. "It's difficult to make bets on the market when the government is always reshuffling the cards."

According to Ribeiro, the exchange has great potential because it fulfils a function unavailable in London, New York or Chicago. "Our coffee market trades futures on grade B arabica coffee," said the BM & F president. "unlike other markets, which deal mostly with top-grade commodities."

Mr Cabrera thinks, however, that unreliable quality is one of the futures market's main problems. "We are encouraging the establishment of private quality-control agencies to ensure that certain standards are maintained," said the minister. "Without credibility in terms of quality, the futures exchange can not grow."

He believes that there is also potential for a strong futures market in soyabeans, oranges and orange juice and wheat. According to the agriculture minister, foreign funds are vital to the future financing of Brazilian agriculture. The Comissao de Valores Mobiliares, the country's financial markets watchdog, is working on the creation of an international rural investment fund. The fund would seek money abroad to invest in Brazilian farm products, and investors would receive returns based on the success of the crop.

Mr Cabrera is also developing a programme, dubbed Pro-Soja, through which soyabean farmers would receive financing from abroad based on future export receipts. The success of the minister's initiatives depends, of course on political approval within Brazil, as well as foreign interest abroad.

Observers believe success on both fronts is far from certain, and the abolition of price freezes in Brazil is a touchy subject. Exporters also doubt the country's ability to attract foreign investment in agriculture. "I don't know if Brazil's agriculture sector is such a good bet that foreigners will be falling over themselves to hand over money," said a Rio de Janeiro-based coffee trader.

Gold price fixed at lowest level since April

By David Blackwell

GOLD WAS fixed at the lowest level since April on the London bullion market yesterday afternoon as futures prices on New York's Comex broke below support levels.

The London market edged ahead after the afternoon fix of $351.25 a troy ounce, closing at $351.95, a fall of $2.50 on the day. At midday the Comex December contract stood at $356, down $2.90 on the opening.

The Comex move below support at $357 a troy ounce was described as technical, and analysts in London were not ascribing the move to events in the Soviet Union. Trading was thin in London, and "the absence of genuine business gives the professionals added weight," said one analyst.

Mr Andy Smith of Union Bank of Switzerland said the market had talked itself into a black mood. Any potential buyers were totally disillusioned by the market's lack of reaction to the Soviet coup and the subsequent confusion over who controls the Soviet purse strings.

"At around $350 it doesn't feel as though it's a coiled spring waiting to bounce back," he said. "It's been a graceful decline rather than a rush for the exits."

Mr John Bergtheil of James Capel said that the summer lack of demand from the jewellery industry had as much to do with the gold price as the Soviet situation. "My guess is that if the events in the Soviet Union had never taken place, we would still be around $352," he said, pointing out that jewellery fabrication demand had held the gold price up for the last couple of years.

Meanwhile, the market was keeping a weather eye on the possibility that Soviet gold held by Western banks under swap arrangements could still be thrown on to the market. As much as 250 tonnes is thought to be held under swaps, many of which mature at the end of this quarter.

"No-one is chancing going long," said Mr Bergtheil.

NZ farmers have worst year on record

By Terry Hall in Wellington

NEW ZEALAND'S sheep and beef farmers have had their worst season since records began 30 years ago; and economists say they are heading for an even worse year.

The Meat and Wool Board's annual economic review, released yesterday, said that farm profits were at their lowest in real terms for at least 30 years and that wool prices were at a 45-year low.

Mr Rob Davison, the board's director, said lower wool earnings pushed pre-tax profits of the average farmer from NZ$33,500 (£11,400) in 1989-90 to NZ$23,100 in the 1991 year, less than a third in real terms compared with 1976.

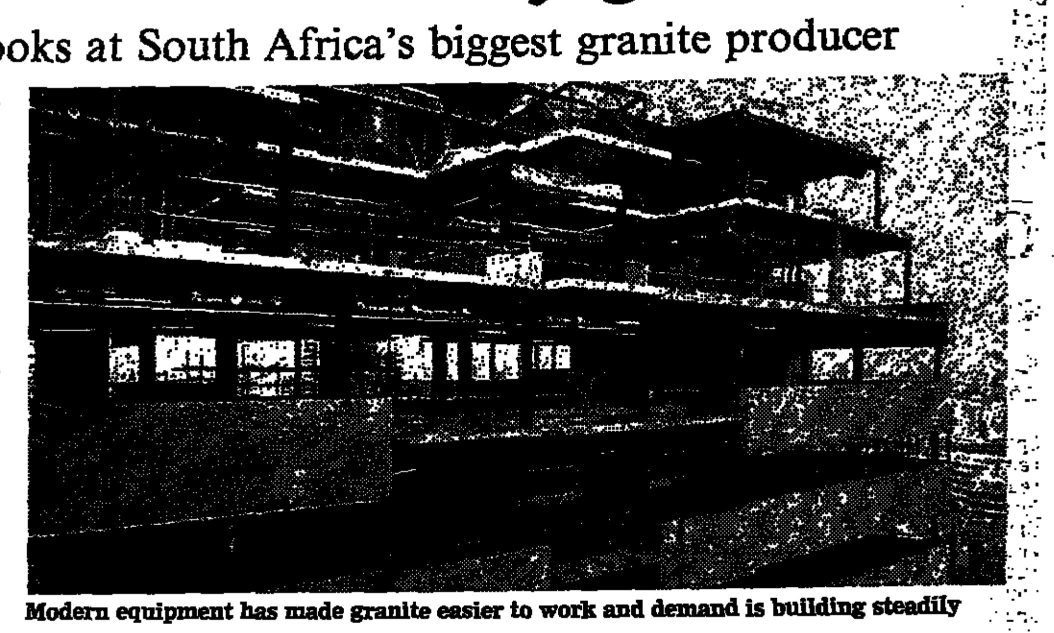
He predicted that earnings would fall to an average NZ$20,300 by June next year. From that farmers are expected to pay tax, and meet family living costs, debt repayments and make capital purchases.

Although wool farmers are in line for an average NZ$1,700 supplementary pay-out from the Wool Board in October, they were told that their receipts would be down by a further 9 per cent by June next year. Lamb export prices fell 26 per cent in the North Island last year but only 10 per cent in the South Island as meat producers battled for stock.

In spite of the difficulties, Mr Davison noted that meat exports rose by NZ$273m last year to a record NZ$2.61bn. But Mr Davison said that was due to increased volumes and a higher degree of processing. Pastoral exports fell by NZ$277m to NZ$6.81bn, mainly because of falls of NZ$353m in wool earnings and NZ$168m in earnings from butter exports.

Rich yields from stony ground

Philip Gawith looks at South Africa's biggest granite producer



Modern equipment has made granite easier to work and demand is building steadily

THE STEAMY Magaliesberg region of the north-western Transvaal is best known as home to the surreal Sun City pleasure palace and the world's richest platinum mines. It is also the source of most of South Africa's granite production, much of which ends up as cladding on high-rise buildings in western Europe.

South Africa, with India, is the world's largest exporter of granite, or "hard" stone, as opposed to soft stone like marble. Keeley Granite dominates the local scene, with about 60 per cent of production. It is the world's largest exporter of dimensional granite blocks.

The granite industry is the unlikely interface between mining and aesthetics. It relies on conventional extractive methods, but there is little of the precision associated with carefully delimited ore-bodies of known grades. Indeed, mining granite requires much more art, love and intuition than science.

Mr Inus Riekert, deputy chairman of Keeley, says: "Granite is something that has to be in your blood to make a success of it. It is like woodcarving. Some people can do it while others just make a mess".

A feel for the business is essential. It requires a wealth of experience to look at a granite deposit and make a judgment on internal faulting, demand in the market and commercial viability. Recovery rates are very low – only 5 per cent for some stone – and those without adequate technical expertise can quickly run into trouble.

A further challenge to producers is that consumers, especially in Japan, demand consistency of product and supply. It is here that a group like Keeley has a big advantage over less established producers. It has large exposed reserves, which allows it considerable production flexibility, should market demand change or production problems arise at a specific quarry face, and gives consumers the confidence that the producer will not run short half was through a project.

If the challenges are considerable, so are the rewards. Despite difficult economic conditions and a price war in the 1991 financial year, Keeley's profit margin was still 25.5 per cent, although attributable profits dropped 5 per cent to R41m (£7.6m).

When it comes to experience, there is nobody to rival Mr Fred Keeley, the 56-year-old executive chairman of Keeley Group Holdings, and its operating arm Kelgran who has run the Keeley operations for the last 32 years. Keeley has been in the news recently with the announcement in April that Genmin, the mining arm of the Gencor group, were taking a 27.6 per cent stake in KGH. In terms of this arrangement, Mr Keeley will stay on for five years, before handing over to new management.

From Mr Keeley's point of view, the link-up solves the succession problem of a family business lacking an heir apparent while Genmin will be hoping that five years is enough time in which to absorb Mr Keeley's expertise.

The deal also offers various synergies, most notably Keeley gaining access to considerable Genmin granite deposits, and the prospect of extra business for its Durban stevedoring operations via Samancor and Alusaf, major exporters in the Genmin group. Mr Keith Bright, mining analyst at stockbrokers Edey Rogers estimates that stevedoring historically accounted for 15-18 per cent of Keeley's turnover. He estimates that this now has the potential to double. Genmin benefit by broadening their mineral interests, getting a stake in a very profitable business, and picking up an in-house stevedoring operation.

Prospects for the industry look good. About 30m tonnes of raw and finished stone are traded every year and growth in this market is estimated by Mr Rob Brown, Keeley's Administration Director, at between 6 and 6.5 per cent per year. He also calculates that there is a shift from soft to hard stones of about 2 per cent per annum. This is a result of granite being easier to work with following developments in diamond based cutting equipment, and of it being more durable than soft stone. Currently hard stones have about 40 per cent of the total stone market.

Mr Keeley says major markets have recovered well from the demand hiccup caused by the Gulf War. He also discerns a silver lining, saying that the pollution problem in the Gulf augurs well for granite. The lifting of sanctions has also opened new markets. Mr Keeley says they are already doing business in eastern Europe and the crumbling building fabric of many European cities offers further opportunities.

Keeley produces about 400,000 tonnes of granite a year, up from 200,000 tonnes in 1988. Less than 10 per cent of this is sold in the domestic market. Of the exports, 25 per cent go to Italy, 15 per cent to Spain, 40 per cent to the Far East and the balance to the US and the rest of Europe. These export sales are to block distributors and major processors.

An important area of expansion for the future is the local beneficiation of the granite. At the moment the value-added market accounts for only 5-6 per cent of Keeley's business. This consists of two main areas: tiles and domestic usages, such as for desks and kitchens. Keeley currently has two factories working on this side and a further one is planned in Bophutatswana.

Two possible areas of concern for the future are tax and the environment. Keeley had a tax bill of only 9.3 per cent in the 1991 financial year on account of export incentives it received. These, however, may well be phased out, in which case Mr Brown estimates the tax rate could rise to 25 per cent. On the conservation side, pressure is building up for the industry in general to do a better job of rehabilitating deposits. Producers will almost certainly be required to spend more money in future in this area than they have done in the past.

Acid rain laws forecast to lift US coal prices by a quarter

By Our Commodities Staff

US STEAM coal prices could rise by nearly a quarter from the mid-1990s as acid rain legislation introduced by Washington last year begins to bite, according to a report published this week.

Prices for low-sulphur steam coal – the quality increasingly dominating world trade – are predicted to rise by up to US$10 a tonne to about US$53 a tonne, loaded at a US port. This rise is forecast to underpin a general rise in world steam coal prices from 1993-94 in the wake of a sharp demand increase from European and Asian power companies.

US producers are the single biggest source for British steel mills and power companies. US mines supplied about a sixth of the 177m tonnes of steam coal traded internationally in 1990 and a third of the 164m tonnes of coking coal shipped to world markets.

Although US mines shipped little more than 10 per cent of their 1990 production of 937m tonnes, one mining district, District Eight in eastern Kentucky and southern West Virginia, accounted for more than half total sales. The problem for the overseas buyers of US is that it is the low-sulphur production from this district and the adjacent District Seven that is going to become increasingly in demand as the two phases of the US's acid rain legislation start to come into effect in 1995 and 2000 respectively.

By the end of the century 90m tonnes of high sulphur coal will be displaced in US power stations by low sulphur coal.

While domestic and overseas buyers are queueing up for the US's high-quality coals, costly investments are going to be required throughout the country's coal-moving infrastructure. In particular, the big exporting terminals at Hampton Roads are approaching the limits of their capacity, ageing locks on the Mississippi and Ohio rivers need refurbishing, while on the West Coast if the proposed expansion at the Los Angelos coal terminal does not go ahead, the US could find itself blocked out of the growth in coal demand around the Pacific.

All is not gloom for overseas customers, however. The shift to low-sulphur coal should make high-sulphur, high heat content US coals an extremely low cost option for power stations that have flue gas desulphurisation equipment.

US Export Coal in the 1990s - Price, Volume and Quality, by Jennifer Bennett, £305, published by McCloskey Coal Information Services, PO Box 15, Petersfield, UK.

Soviet diamond plant to close

THE SOVIET far eastern Soviet region of Yakutia has decided to close one of its major diamond extracting plants to protect the environment, the independent Interfax news agency said, reports Reuters from Moscow.

The agency said the four Yakutalmaz plants provided 99 per cent of all diamonds extracted in the Soviet Union.

WORLD COMMODITIES PRICES

MARKET REPORT

Zinc edged ahead on the LME, although the firmer dollar tended to restrict early trade buying. Further demand was reported for metal from the LME's Baltimore warehouses while traders also noted a fall of almost 14,000 tonnes in Japanese zinc stocks in July. Aluminium failed to attract sufficient follow-through interest after three-month metal reached $1,296 a tonne in the morning. Market reluctance to break through the $1,300-a-tonne level triggered liquidation orders. At the close three-month metal had retreated to $1,285.50 a tonne, down $4 on the day. Traders were concerned that today's LME stock figures, which will contain data from two reporting periods after the absence of any release on Tuesday, will show a large rise in aluminium stocks. Nickel closed off the day's highs after advancing early on news that Falconbridge plans to cut production at its Nikkelverk smelter in Norway. In Chicago wheat was edging higher at midday, although traders shrugged off news that China had bought 500,000 tonnes of French wheat and trade talk that the Soviet Union had bought Canadian wheat. But anticipation of imminent US sales to the USSR now that credit of $45m is in place helped to counter the bearish aspects of the competing sales.

Compiled from Reuters

London Markets

SPOT MARKETS		
Crude oil (per barrel FOB)		+ or -
Dubai	$16.90-7.00z	+.125
Brent Blend (dated)	$20.20-0.35	+.275
Brent Blend (Oct)	$20.20-0.25	+.175
W.T.I. (1 pm est)	$21.85-1.90z	+0.05
Oil products (NWE prompt delivery per tonne CIF)		+ or -
Premium Gasoline	$241-243	-1
Gas Oil	$195-197	+3
Heavy Fuel Oil	$71-73	
Naphtha	$214-216	+1
Petroleum Argus Estimates		
Other		+ or -
Gold (per troy oz)♣	$351.95	-2.50
Silver (per troy oz)♣	388.5c	-6.0
Platinum (per troy oz)	$338.75	
Palladium (per troy oz)	$82.25	+0.60
Copper (US Producer)	108c	
Lead (US Producer)	42c	+6
Tin (Kuala Lumpur market)	15.15r	-0.01
Tin (New York)	280.0c	+1.0
Zinc (US Prime Western)	62.0c	
Cattle (live weight)†	107.75p	+1.21*
Sheep (dead weight)†	118.52p	-8.62*
Pigs (live weight)†	85.43p	-3.25*
London daily sugar (raw)	$236.5q	+2.5
London daily sugar (white)	$294.5	-3.0
Tate and Lyle export price	£249.0	+0.5
Barley (English feed)	£110.50	+0.75
Maize (US No. 3 yellow)	£179.0	-1.0
Wheat (US Dark Northern)	£101.5	
Rubber (Oct)♥	63.50p	+0.50
Rubber (Nov)♥	64.00p	+0.50
Rubber (KL RSS No 1 Sep)	227.5r	
Coconut oil (Philippines)§	$425.0y	-15.0
Palm Oil (Malaysian)§	$310.0t	
Copra (Philippines)§	$280.0j	
Soyabeans (US)	£155.50	-1.5
Cotton "A" index	71.85c	-0.05
Wooltops (64s Super)	365p	

£ a tonne unless otherwise stated. p-pence/kg. c-cents/lb. r-ringgit/kg. q-Sep/Oct t-Oct/Dec u-Sep x-Jul/Aug y-Aug/Sep z-Oct j-Oct/Nov. †Meat Commission average latstock prices. * change from a week ago. ♥London physical market. §CIF Rotterdam. ♣ Bullion market close. m-Malaysian cents/kg.

SUGAR – London FOX			($ per tonne)	
Raw	Close	Previous	High/Low	
Oct	197.80	203.00	203.00	195.80
Dec	184.00	188.60	185.00	
Mar	183.00	186.60	186.00	181.00
May	184.80	188.80	186.40	181.80
Oct	190.80	200.00	188.00	
White	Close	Previous	High/Low	
Oct	280.0	285.0	284.5	279.0
Dec	274.5	278.1	277.0	273.5
Mar	272.0	276.8	276.0	270.5
May	271.0	275.8	274.8	270.6
Aug	270.0	274.8	274.0	272.0
Oct	252.0	255.6	254.0	253.0
Dec	250.0		251.5	251.0

Turnover: Raw 733 (321) lots of 50 tonnes. White 1240 (1643)
Paris- White (FFr per tonne): Sep 1734.

CRUDE OIL – IPE			$/barrel	
	Latest	Previous	High/Low	
Oct	20.30	20.03	20.30	20.05
Nov	20.25	20.05	20.28	20.06
Dec	20.18	20.03	20.20	20.04
Jan	20.08	19.90	20.09	20.07
IPE Index	20.03	20.09		

Turnover 9248 (23338)

GAS OIL – IPE			$/tonne	
	Latest	Previous	High/Low	
Sep	197.25	193.25	197.75	193.75
Oct	198.00	195.00	198.00	195.75
Nov	200.75	196.50	200.25	196.50
Dec	200.75	197.50	200.75	197.50
Jan	198.00	194.50	198.00	195.75
Feb	190.75	189.75	191.50	190.00
Mar	183.75	182.25	184.00	183.00
Apr	180.75		180.75	180.50
May	175.00		175.00	

Turnover 12575 (4394)lots of 100 tonnes

FRUIT & VEGETABLES
New season Discovery apples are in the shops at 40-55p a lb (55-75p). Other good fruit buys are Sultana grapes at 50-60p a lb (45-75p), peaches and nectarines at 20-30p each (15-30p). There are plenty of great homegrown vegetable buys with cauliflower at 35-50p each (40-55p), carrots at 15-22p a lb (15-22p). Corn-on-the-cob is reasonably priced at 35-45p per cob. Dutch and English cucumber is a good salad buy at 40-55p each (30-50p). Spring onions at 25-30p a bunch (25-30p) are plentiful, along with Iceberg at 45-60p each (48-65p). Round lettuce at 25-35p each (25-35p) and tomatoes at 40-55p a lb (45-55p).

COCOA – London FOX			£/tonne	
	Close	Previous	High/Low	
Sep	637	644	642	636
Dec	681	684	682	676
Mar	717	722	720	716
May	735	741	738	734
Jul	756	760	759	764
Sep	776	780	777	774
Dec	801	805	801	800
Mar	826	829	826	

Turnover: 6093 (3807) lots of 10 tonnes
ICCO indicator prices (SDRs per tonne). Daily price for Aug 28 862.63 (864.52) 10 day average for Aug 29 857.68 (855.54)

COFFEE – London FOX			£/tonne	
	Close	Previous	High/Low	
Sep	523	518	526	519
Nov	550	547	553	546
Jan	574	570	576	570
Mar	590	590	593	589

Turnover:6165 (10791) lots of 5 tonnes
ICO indicator prices (US cents per pound) for Aug 28 : Comp. daily 65.23 (65.48) 15 day average 62.82 (62.72)

POTATOES – London FOX			£/tonne	
	Close	Previous	High/Low	
Apr	118.2	116.0	120.5	118.1

Turnover 153 (350) lots of 20 tonnes.

SOYAMEAL – London FOX			£/tonne	
	Close	Previous	High/Low	
Oct	131.00		131.00	131.00
Dec	137.00	136.50	137.00	136.00
Feb	141.50		141.50	

Turnover 50 (35) lots of 20 tonnes.

FREIGHT – London FOX			$10/Index point	
	Close	Previous	High/Low	
Sep	1634	1643	1640	1629
Oct	1695	1715	1705	1695
Jan	1703	1718	1712	1700
Apr	1703	1700	1712	1701
Jul	1480		1480	
BFI	1533	1526		

Turnover 208 (329)

GRAINS – London FOX			£/tonne	
Wheat	Close	Previous	High/Low	
Sep	113.50	113.45	113.80	113.50
Nov	117.15	116.80	117.35	117.00
Mar	123.95	123.70	124.10	123.95
May	126.75	126.50	126.80	
Barley	Close	Previous	High/Low	
Sep	110.25	109.85	110.25	
Nov	113.90	113.50	114.05	113.80
Mar	120.05		120.05	

Turnover: Wheat 383 (436), Barley 84 (22).
Turnover lots of 100 tonnes.

PIGS – London FOX (Cash Settlement) p/kg				
	Close	Previous	High/Low	
Oct	100.5	100.0	100.5	99.5
Nov	103.5		103.5	103.0
Jan	104.5	102.5	104.0	103.0

Turnover:83 (12) lots of 3,250 kg

MGMI – London FOX					
	Close	Prev.	High	Low	Vol
Indx	137.92	137.42			
Sep	138.10	138.30	138.40	138.10	65
Oct	138.90	139.00	138.90	138.80	75
Nov	138.70	139.20	139.00	138.70	75
Dec	138.70	139.20	139.10	138.70	110

LONDON METAL EXCHANGE		(Prices supplied by Amalgamated Metal Trading)				
	Close	Previous	High/Low	AM Official	Kerb close	Open Interest
Aluminium, 99.7% purity ($ per tonne)					Total daily turnover 15,907 lots	
Cash	1256-7	1258-9	1264	1263-4		
3 months	1285-6	1289-90	1296/1281	1293-4	1282-3	15,812 lots
Copper, Grade A (£ per tonne)					Total daily turnover 23,315 lots	
Cash	1345-7	1356-7	1348/1347	1347-8		
3 months	1356-8	1358-7	1358/1350	1353-4	1257-8	43,508 lots
Lead (£ per tonne)					Total daily turnover 3,096 lots	
Cash	315-6	317-7.5		315.5-6.0		
3 months	327.5-8.0	329-30	328/327	327.5-8.0	328-9	2,156 lots
Nickel ($ per tonne)					Total daily turnover 3,038 lots	
Cash	7860-70	7830-40	7905	7900-5		
3 months	7915-20	7880-85	7960/7910	7950-5	7910-20	5,162 lots
Tin ($ per tonne)					Total daily turnover 1,488 lots	
Cash	5580-90	5575-85		5680-90		
3 months	5655-65	5655-60	5663/5655	5663-5	5655-60	1,334 lots
Zinc, Special High Grade ($ per tonne)					Total daily turnover 4,739 lots	
Cash	1019-20	1013-15	1019	1018.5-9.5		
3 months	1035-7	1033-34	1038/1035	1036.5-7.0	1035.5-6.0	10,332 lots

LME Closing £/$ rate:
SPOT: 1.6815 3 months: 1.6634 6 months: 1.6449 9 months: 1.6290

LONDON BULLION MARKET (Prices supplied by N.M.Rothschild)		
Gold (fine oz)	$ price	£ equivalent
Close	351.70-352.20	
Opening	353.80-354.20	
Morning fix	353.20	208.727
Afternoon fix	351.25	207.081
Day's high	354.20-354.50	
Day's low	350.90-351.50	

Loco Ldn Mean Gold Lending Rates (Vs US$)			
1 month	5.20	6 months	4.98
2 months	5.13	12 months	4.95
3 months	5.07		

Silver fix	p/fine oz	US cts equiv
Spot	232.90	394.10
3 months	239.25	399.70
6 months	245.05	405.15
12 months	257.75	418.15

GOLD COINS (Prices supplied by Engelhard Metals)		
	$ price	£ equivalent
Krugerrand	351.50-352.50	207.25-207.75
Maple leaf	361.00-362.00	212.75-213.25
New Sovereign	85.00-86.00	50.00-50.50

TRADED OPTIONS				
Aluminium (99.7%)	Calls		Puts	
Strike price $ tonne	Sep	Dec	Sep	Dec
1150	112	142		3
1250	16	63	5	22
1350		18	88	75
Copper (Grade A)	Calls		Puts	
2150	128	128		26
2250	33	68	6	64
2350	1	30	72	125
Coffee	Nov	Jan	Nov	Jan
600	58	101	21	20
625	43	84	31	28
650	30	69	46	38
Cocoa	Dec	Mar	Dec	Mar
500	52	77	2	4
550	17	29	17	18
600	1	17	54	44
Brent Crude	Oct	Nov	Oct	Nov
2050	16	42		
2100	30	29		
2150	4	13		

New York

GOLD 100 troy oz.; $/troy oz.				
	Close	Previous	High/Low	
Sep	350.9	353.9	0	0
Oct	352.4	355.6	354.4	352.2
Dec	355.7	358.9	358.2	355.0
Feb	358.7	362.0	360.8	358.6
Apr	361.6	365.0	361.9	361.6
Jun	364.7	3368.1	368.5	364.5
Aug	367.8	371.3	0	0
Oct	370.8	374.3	0	0

PLATINUM 50 troy oz; $/troy oz.				
	Close	Previous	High/Low	
Oct	339.0	341.5	341.0	338.6
Jan	343.4	345.8	344.5	342.5
Apr	347.1	349.5	347.6	347.6
Jul	351.1	353.5	352.0	351.0
Oct	356.1	360.5	356.5	356.5

SILVER 5,000 troy oz; cents/troy oz.				
	Close	Previous	High/Low	
Sep	382.2	392.3	392.0	381.0
Oct	383.9	394.1	0	0
Dec	388.5	398.8	398.5	387.0
Jan	389.9	400.3	0	0
Mar	395.0	405.5	405.0	394.0
May	399.4	410.1	0	0
Jul	403.7	414.6	410.5	403.0
Sep	408.3	419.3	412.5	412.5
Dec	415.5	426.7	420.0	418.0

HIGH GRADE COPPER 25,000 lbs; cents/lbs				
	Close	Previous	High/Low	
Sep	103.70	103.65	103.95	102.85
Oct	103.30	103.15	103.30	102.40
Nov	103.10	102.95	103.10	102.25
Dec	102.85	102.65	102.85	101.85
Jan	102.20	102.10	101.60	101.30
Feb	101.55	101.60	0	0
Mar	100.95	100.95	101.00	100.40
Apr	100.40	100.45	100.25	0
May	99.85	99.95	99.60	99.60
Jun	99.40	99.55	0	0

CRUDE OIL (Light) 42,000 US galls $/barrel				
	Latest	Previous	High/Low	
Oct	21.94	21.74	21.98	21.78
Nov	21.84	21.66	21.86	21.70
Dec	21.73	21.56	21.77	21.60
Jan	21.61	21.47	21.63	21.49
Feb	21.48	21.35	21.51	21.42
Mar	21.28	21.20	21.30	21.27
Apr	21.15	21.06	21.18	21.15
Jul	20.86	20.78	20.86	20.86

HEATING OIL 42,000 US galls, cents/US galls				
	Latest	Previous	High/Low	
Sep	6300	6224	6310	6235
Oct	6385	6312	6405	6335
Nov	6480	6409	6485	6435
Dec	6560	6500	6565	6525
Jan	6575	6521	6580	6540
Feb	6420	6366	6420	6400
Mar	6160	6111	6160	6130
Apr	5940	5891	5940	5940
May	5775	5741	5790	5775
Jun	5648	5670	5725	5595

COCOA 10 tonnes;$/tonnes				
	Close	Previous	High/Low	
Sep	1019	1025	1025	1020
Dec	1067	1072	1076	1062
Mar	1116	1123	1121	1113
May	1145	1152	1150	1145
Jul	1173	1178	1176	1173
Sep	1195	1202	0	0
Dec	1225	1233	0	0
Mar	1258	1270	0	0
May	1290	1295	0	0
Jul	1318	1321	0	0

COFFEE "C" 37,500lbs; cents/lbs				
	Close	Previous	High/Low	
Sep	85.10	84.20	85.40	84.20
Dec	88.20	87.45	88.75	87.50
Mar	91.65	90.90	92.25	91.00
May	94.15	93.70	94.50	93.60
Jul	96.50	96.10	97.00	96.20
Sep	99.00	98.70	99.00	99.00
Dec	102.65	103.00	0	0

SUGAR WORLD "11" 112,000 lbs; cents/lbs				
	Close	Previous	High/Low	
Oct	8.73	8.91	8.87	8.57
Mar	8.27	8.41	8.33	8.22
May	8.21	8.34	8.26	8.17
Jul	8.22	8.31	8.26	8.20
Oct	8.25	8.32	8.24	8.24

COTTON 50,000; cents/lbs				
	Close	Previous	High/Low	
Oct	65.00	66.03	66.70	64.95
Dec	65.32	66.52	66.85	65.30
Mar	66.30	67.57	67.85	66.30
May	67.05	68.20	68.34	67.05
Jul	67.58	67.75	68.65	68.65
Oct	67.05	67.50	67.20	67.05
Dec	67.02	67.18	67.60	67.00

ORANGE JUICE 15,000 lbs; cents/lbs				
	Close	Previous	High/Low	
Sep	120.50	119.75	120.75	119.30
Nov	119.30	117.50	120.10	117.65
Jan	117.70	115.30	117.90	115.75
Mar	118.60	116.40	118.60	116.75
May	119.25	117.35	118.00	117.90
Jul	119.25	117.35	0	0
Sep	119.25	117.35	0	0
Nov	119.25	117.35	0	0
Jan	119.25	117.35	0	0

INDICES				
REUTERS (Base: September 18 1931 = 100)				
	Aug.29	Aug.28	mnth ago	yr ago
	1655.1	1658.5	1592.5	1791.6
DOW JONES (Base: Dec. 31 1974 = 100)				
	Aug.28	Aug.27	mnth ago	yr ago
Spot	117.86	117.82	120.99	130.88
Futures	122.25	122.10	123.70	133.06

Chicago

SOYABEANS 5,000 bu min; cents/60lb bushel				
	Close	Previous	High/Low	
Sep	568/4	570/4	572/0	566/0
Nov	582/4	583/0	585/4	579/0
Jan	592/6	594/4	596/0	590/0
Mar	603/4	604/2	606/2	600/4
May	610/0	612/2	613/4	608/4
Jul	614/4	618/0	618/0	614/0
Aug	611/0	615/0	615/0	611/0
Sep	591/0	596/0	597/4	591/0

SOYABEAN OIL 60,000 lbs; cents/lb				
	Close	Previous	High/Low	
Sep	19.83	19.86	20.08	19.70
Oct	19.97	20.04	20.24	19.85
Dec	20.36	20.41	20.60	20.20
Jan	20.55	20.60	20.77	20.40
Mar	20.85	20.93	21.10	20.75
May	21.00	21.11	21.10	20.95
Jul	21.32	21.36	21.35	21.30
Aug	21.35	21.40	0	0

SOYABEAN MEAL 100 tons; $/ton				
	Close	Previous	High/Low	
Sep	186.5	185.9	186.7	184.3
Oct	184.9	184.3	185.2	183.0
Dec	183.4	183.3	183.8	181.9
Jan	182.4	182.6	183.2	181.3
Mar	182.1	182.6	182.8	181.0
May	181.7	181.2	182.0	180.2
Jul	180.7	180.5	181.0	179.0
Aug	179.7	181.0	180.5	179.5

MAIZE 5,000 bu min; cents/56lb bushel				
	Close	Previous	High/Low	
Sep	247/0	250/0	249/2	246/6
Dec	252/4	254/4	254/2	252/2
Mar	260/0	261/4	261/4	259/4
May	264/0	265/6	265/6	263/4
Jul	266/0	268/0	267/6	265/6
Sep	254/0	254/0	255/6	254/0
Dec	250/2	250/6	251/4	249/4

WHEAT 5,000 bu min; cents/60lb-bushel				
	Close	Previous	High/Low	
Sep	304/4	305/2	305/6	303/6
Dec	317/6	317/4	318/6	315/4
Mar	321/6	322/2	323/0	319/6
May	314/0	315/4	317/4	314/0
Jul	305/2	304/6	308/0	304/4
Sep	313/0	313/0	314/0	313/0

LIVE CATTLE 40,000 lbs; cents/lbs				
	Close	Previous	High/Low	
Oct	69.70	69.95	70.40	69.65
Dec	73.02	73.07	73.45	72.97
Feb	71.95	72.05	72.32	71.90
Apr	72.87	72.95	73.25	72.85
Jun	70.85	70.92	71.17	70.77
Aug	69.50	69.40	69.60	69.50

LIVE HOGS 30,000 lb; cents/lbs				
	Close	Previous	High/Low	
Oct	43.77	43.95	44.15	43.60
Dec	43.60	43.65	43.97	43.40
Feb	43.40	43.30	43.55	43.20
Apr	41.95	41.82	42.17	41.82
Jun	46.17	45.90	46.35	46.00
Jul	46.07	46.02	46.15	46.07
Aug	44.65	44.45	44.65	0

PORK BELLIES 40,000 lbs; cents/lb				
	Close	Previous	High/Low	
Feb	47.62	47.80	47.95	47.15
Mar	47.22	47.20	47.60	46.60
May	48.00	48.00	48.30	47.30
Jul	48.20	48.10	48.20	47.35
Aug	45.10	45.10	45.35	0

LONDON STOCK EXCHANGE

Market moves closer to recent peaks

By Terry Byland, UK Stock Market Editor

THE LONDON equity market performed well yesterday, largely on the back of Wall Street's strong performance overnight. Equity turnover in the UK market remained brisk and the FT-SE Index closed within three points of its recent closing peak, having broken through this level earlier in the session.

The rise of 14 points to 2,638.2 in the Footsie was the more impressive because the market brushed aside the widely-predicted £464m rights issue from Ladbroke, the UK hotel and leisure group, as it did New York's failure in early trade to move above the all-time peak on the Dow Industrial Average achieved on Wednesday. In early trade, the Footsie touched 2,642.8.

The market's growing optimism on the domestic economy was encouraged by a favourable report from the National Institute of Economic and Social Research which suggested that the recession in the UK economy is tailing off into a slow and hesitant recovery.

Speculation over interest rate cuts in the US encouraged London but local factors also provided impetus. Bid interest, often regarded as an indication of market bullishness, focused around Pilkington, the UK glass producer, although traders were unconvinced by hints that Saint Gobain of France was a possible buyer. Cadbury Schweppes, the UK food group, was another long-time bid favourite to attract attention yesterday.

Once again there was increased concentration on second-line equities. Hoare Govett, the UK securities house, picked out a number of bullish signals in its Tootsie list of second line UK stocks.

Seaq-reported trading volume totalled 428.6m shares, against 514.9m in the previous session. The Seaq total takes in both retail and inter-market business and is believed to be swollen at present by the approach of tonight's close to the extended equity trading account.

The account, which has encompassed the dramatic turn of events in Soviet Russia, has been highly erratic, if finally successful for investors; but for marketmaking firms it has been an extremely difficult period and traders were still struggling to find stock in the market yesterday.

Mr Ian Stephenson at Salomon International described recent market trends as a "benign bull market", with share prices edging determinedly higher, although market volume has died away since last week.

Few sellers have been seen and although the underlying trend remains very firm, recent gains could be challenged in September, especially if other leading companies follow Peninsular & Orient and Ladbroke in announcing significant fund-raising moves in the equity market.

A question mark hung over the large trading programme executed at the close of the previous session by a leading UK investment banker. There was doubt as to the precise direction of the deal, but most traders agreed that it was "not disruptive for the market and perhaps weighted slightly towards the sell side".

The chief feature in the corporate sector came from a significantly reduced loss announcement at Guardian Royal Exchange. The shares moved higher but some strategists were wary of the dramatic turnaround in the fortunes of the insurance group.

Account Dealing Dates		
First Dealings:		
Aug 12	Sep 2	Sep 16
Option Declarations:		
Aug 29	Sep 12	Sep 26
Last Dealings:		
Aug 30	Sep 13	Sep 27
Account Day:		
Sep 9	Sep 23	Oct 7

*New-time dealings may take place from 8.30 am two business days earlier.

FINANCIAL TIMES STOCK INDICES

	Aug 29	Aug 28	Aug 27	Aug 23	Aug 22	Year Ago	1991 High	1991 Low	Since Compilation High	Since Compilation Low
Government Secs	85.96	85.80	85.78	85.94	85.94	78.13	85.96 (28/8)	82.17 (2/1)	127.4 (9/1/35)	49.18 (3/1/75)
Fixed Interest	94.91	94.89	94.89	94.91	94.93	86.52	94.93 (22/8)	90.59 (2/1)	105.4 (28/11/47)	50.53 (3/1/75)
Ordinary Share●	2066.2	2053.9	2050.0	2069.3	2058.1	1697.9	2089.3 (23/8)	1808.3 (16/1)	2089.3 (23/8/91)	49.4 (26/6/40)
Gold Mines	157.6	158.1	159.0	162.0	167.7	197.3	222.8 (11/7)	127.0 (22/2)	734.7 (15/2/83)	43.5 (26/10/71)
FT-SE 100 Share	2638.2	2624.2	2619.6	2640.7	2623.0	2162.6	2640.7 (23/8)	2054.8 (16/1)	2640.7 (23/8/91)	986.9 (23/7/84)
FT-SE Eurotrack 200	1188.76	1184.81	1182.85	1181.55	1176.55	-	1192.11 (5/6)	938.62 (16/1)	1192.11 (5/6/91)	938.62 (16/1/91)
●Ord. Div. Yield	4.59	4.62	4.63	4.59	4.63	5.61				
●Earning Yld %(full)	7.48	7.53	7.55	7.48	7.54	11.95				
●P/E Ratio(Net)(☆)	16.67	16.56	16.52	16.68	16.55	10.16				
SEAQ Bargns 4.45pm	30,491	28,858	28,515	32,495	30,772	18,217				
Equity Turnover(£m)†	-	983.65	638.09	969.68	1129.93	591.42				
Equity Bargains†	-	27,227	29,687	32,182	30,620	15,859				
Shares Traded (ml)†	-	389.0	284.5	415.4	424.5	286.4				

Basis 100 Govt. Secs 15/10/26, Fixed Int. 1928, Ordinary 1/7/35, Gold mines 12/9/55, Basis 1000 FT-SE 100 31/12/83 & FT-SE Eurotrack 200 26/10/90. ☆ Nil 15.57

Ordinary Share Index, Hourly changes — Day's High 2070.6 — Day's Low 2062.2

Open	9 am	10 am	11 am	12 pm	1 pm	2 pm	3 pm	4 pm
2064.5	2065.8	2062.9	2062.9	2068.8	2068.6	2070.2	2069.1	2065.3

FT-SE 100, Hourly changes — Day's High 2642.8 — Day's Low 2631.0

Open	9 am	10 am	11 am	12 pm	1 pm	2 pm	3 pm	4 pm
2636.9	2636.6	2631.7	2632.0	2638.3	2639.3	2642.4	2639.4	2636.6

FT-SE Eurotrack 200, Hourly changes — Day's High 1191.21 — Day's Low 1187.61

Open	10 am	11 am	12 pm	1 pm	2 pm	3 pm
1188.39	1188.70	1188.14	1188.25	1189.56	1190.17	1189.04

GILT EDGED ACTIVITY

Indices*	Aug 28	Aug 27
Gilt Edged Bargains	70.0	77.2
5-Day average	75.0	76.7

*SE Activity 1974.
†Excluding intra-market business & Overseas turnover.

London report and latest Share index: Tel. 0898 123001

Glass stake hints

Speculation that attempts were being made to place a 4 per cent stake in Pilkington, the long-established bid target in the UK glass industry, enlivened early trading. When it appeared that any such deal, which would represent 31.2m shares, had fallen through, Pilkington shares rallied from an early fall to close unchanged at 166p. Turnover was 5.3m shares, significantly above recent daily averages.

It appeared likely that a leading London securities house had sought to arrange a 'bought deal' – taking Pilkington shares on to its own trading books before lining up institutional buyers. BTR's announcement that it "refused to comment on rumours that it had placed its 4.18 per cent stake in Pilkington" at first merely added fuel to speculation. BTR shares rallied 8 to 429p, after the company later appeared to indicate more firmly that it had done nothing with its Pilkington stake.

Some dealers argued that BTR could have placed the stake outside the market with a trade buyer. Hanson's name was bandied around and Saint Gobain, the French glass-maker, was also suggested but generally discounted in view of possible monopoly problems.

General Accident up

The insurance area provided another of the market's outstanding performers in General Accident, which ran up to 555p, before settling a net 15 higher at 551p; turnover in the stock was a higher than usual 775,000 shares.

General Accident shares were stimulated by a strong buy recommendation from Kleinwort Benson, the securities house. Mr Kevin Phillips, composite insurance specialist at Kleinwort, said he had recommended the stock because it was approaching a 20-year price relative low against the market, a level which traditionally sees the shares move up strongly.

He said the stock had been knocked badly, along with the rest of the composites, by the poor figures announced last week by Eagle Star. He pointed out that Eagle Star's figures had been hit by losses in its mortgage indemnity business, an area where General Accident's exposure is "minimal".

The Kleinwort analyst also took the view that there was "light at the end of the tunnel" in the insurance market, with the possibility of profits in 1992 and the scene in 1993 looking very much better. He also pointed to General Accident's relatively strong balance sheet and the group's dividend growth potential.

Sun Alliance shares, unsettled by analysts' increasing their forecast losses for the year, rallied 11 to 369p.

Guardian pleases

One of the best performances of the Footsie constituents, came from Guardian Royal Exchange (GRE), the composite insurer, despite its disclosure of an interim loss of £88m. The market's enthusiasm for the shares derived from the absence of any cash call, the maintained interim and an initial bullish response by analysts to the post-figures meeting with the company.

GRE shares jumped 14 to 195p with turnover spiralling upwards to reach 6.2m, the highest since April this year. Specialists said the market responded to GRE's breakdown of the half-year figures, which revealed a first-quarter loss of £86.6m and a second-quarter loss of only £1.3m. These figures were interpreted as representing strong recovery in the second quarter, possibly indicating profits in the third and fourth quarters, and triggered the upsurge in the share price.

Later in the day, the company dampened the market's enthusiasm. Analysts were told that the first-quarter figures included provisions for its reinsurance business and reserving and the second-quarter figure had been boosted by a high level of investment income. Anticipating "some slippage in the share price tomorrow", the City specialists then took a more sober look at their full-year forecasts.

UBS Phillips & Drew increased its forecast loss for the year from £125m to £135m and said the company was "not out of the woods yet". Mr Steven Bird at Smith New Court pencilled in a projected loss of £140m. Kleinwort Benson was much more pessimistic, going for a full-year loss of £167m.

Williams trimmed

Williams Holdings picked up sharply at first after announcing a 39 per cent rise in interim profits. Later the shares drifted as analysts returned from what was decribed as a low-key meeting with the company and closed 3 up at 345p on healthy turnover of 3.6m.

Observers said the results were above expectations but general economic recovery was needed if momentum were to be maintained. Securities house Hoare Govett said it still considered Williams "very good value" and raised its end-of-year profit estimate by £8m to £173m.

Heavy turnover of 9.7m in National Power was said to have been generated by a Hoare Govett buy note on the stock. National Power shares closed 5½ higher at 157½p.

In the absence of significant activity in the dollar during London's trading hours, traders blamed strong performances in some internationals on shortages of stock. They said Glaxo's 26 rise to 1367p was a consequence of short positions having been taken ahead of figures from Astra, a Swedish drug maker. Astra has revealed that sales of a rival to Glaxo's best-selling drug Zantac had grown sharply.

ICI, 16 better at one point, was helped by efforts to accommodate a large overnight trade. The shares ended at 1348p, up 9 on the day. BOC followed a similar pattern in its customary thin trade before ending at 606p, up 8.

Waste management group Leigh Interests continued to rise as buyers appreciated its underperformance against the sector and the market. The shares gained 13 to 325p.

Interim results and an upbeat statement from Slough Estates sent the shares first lower and then higher before they settled at 261p, a penny lower on balance. The stock goes ex-dividend on Monday.

Cadbury Schweppes advanced 13 to 402p, helped by a renewed bout of bid speculation. There was much talk, widely disbelieved, of a bid for the company at £5 a share this morning. Traders seemed divided over whether the gossip pinpointed old favourite Phillip Morris or an even older favourite, Hanson.

Food manufacturer Booker shed 9 to 469p amid talk of a downgrading from the company's broker UBS Phillips & Drew ahead of interims on September 5. UBS said yesterday that it had not changed forecasts or recommendations.

A £464m rights issue from Ladbroke came as no surprise. The shares rose 5 to 279p in unusually high turnover of 8.2m. The cash call came with interim results that showed profits falling from £158m to £98m. Friendly Hotels slid 9 to 276p after the company revealed interim profits 44 per cent lower at £1.4m.

An optimistic statement from W. H. Smith, accompanying full year figures, helped the shares climb 2 to 459p. Profits rose £3m to £89m. "Trading results achieved during a year of deep recession shows the strength of the group's businesses," said Sir Simon Hornby, the chairman. Smith remains committed to selling its 19.96 per cent stake in Yorkshire Television at an unspecified date. Yorkshire shares lost 9½ to 196p. Traders said one marketmaker had tried to sell some Yorkshire shares to several securities houses.

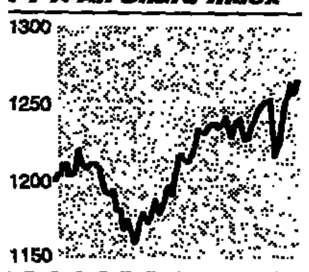
Many of the important building materials stocks registered strong gains but the majority of the housebuilders/construction issues tended to underperform. The building sector's interim results season moves into top gear over the next few weeks and most analysts are extremely gloomy.

RM Douglas, which on Tuesday revealed it had received a bid approach, raced up 30 to 545p with the Seaq screens revealing a buyer had paid up to 560p cash for stock.

MARKET REPORTERS:
Daniel Green,
Peter John,
Steve Thompson.

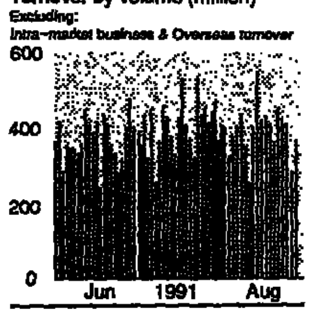
■ Other market statistics, including the FT-Actuaries Share Indices and London Traded Options, Page 20.

FT-A All-Share Index



Equity Shares Traded

Turnover by volume (million)
Excluding: Intra-market business & Overseas turnover



NEW HIGHS AND LOWS FOR 1991

NEW HIGHS (168).
BRITISH FUNDS (23) Treas. 3pc 1992, Treas. 10pc 1994, Exch. 10¼pc 1995, Treas. 9pc 1992-96, Treas. 8¾pc 1997, Cnv. 10pc 1996, Do. 1996 B, Exch. 9¾pc 1998, Treas. 6¾pc 1995-98, Treas. 9½pc 1999, Cnv. 10¼pc 1999, Cnv. 9pc 2000, Treas. 10pc 2001, Treas. 9¾pc 2002, Treas. 10pc 2003, Fd. 3½pc 1999-04, Cnv 9½pc 2004, Cnv. 9½pc 2005, Treas. 8pc 2002-06, Treas. 8½pc 2007, Treas. 5½pc 2008-12, Cnv. 9pc 2011 A, Treas. 2½pc IL 2003. **INT.BANK & O'SEAS GOVT. STLG. ISSUES (4)** African Dev 11¼pc 2010, Asian Dev. 10¼pc 2009, Intl-Amer. Dev. 12½pc 2003, Do 9¼pc 2015. **FOREIGN BONDS (1)** Hydro Quebec 15pc 2011. **AMERICANS (7)** CPC, California Energy, Data Gen., Morris (Ph), Pall, Rep NY, Whirlpool. **BANKS (2)** Warburg (SG), Do. 8pc Prf., **BREWERS (3)** Greenalls, Do. 6.95pc Prf., Seagram. **BUILDINGS (4)** Ball (AH), Douglas (RM), Eperin, Meyer. **CHEMICALS (5)** BTP, Hickson, ICI, Rentokil, Yorks. Chems., **STORES (7)** Alexon, Cantors A, Fine Art Devs., GUS A, Kingfisher, Lloyds Chemists, Menzies (J). **ELECTRICALS (9)** ACT, Alba, Black & Decker, Gale, Delta, Eletrocomponents, Farnell, Life Sciences, Prestwick. **ELECTRICITY (2)** Natl. Power, PowerGen. **ENGINEERING (6)** Ash & Lacy, Powerscreen, Spirax-Sarco, TI, Victaulic, Weir. **FOODS (6)** Cadbury Schweppes, Dalgety, Northern, Perkins, Salvesen (Ch), Sims. **HOTELS (1)** Resort. **INDUSTRIALS (42)** Astra B, Avon Rubber, BOC, Beapak, Bodycote, Bowater, Do. 7.75pc Prf., Brammer, Courtaulds, Diploma, EIS, Glaxo, Halma, Hays, Johnson Cleaners, Kalon, Lionheart, London Intl., MB-Caradon, Do 7.25p Prf., MITIE, Macarthy, Paterson Zochonis A, Pentland, Portals, Reckitt & Colman, Do. 9.5pc Cnv. Bond, Serco, Seton Healthcare, Sidlaw, Spring Ram, TT, Tomkins (FH), Do. 5.6pc Prf., Do. 6¼pc Prf., Trafalgar Hse. A, Vinten, Wellcome, Williams, Do. 5½pc Prf., Do. 8p Prf., Wolseley. **INSURANCE (1)** Britannic. **LEISURE (3)** Capital Radio, Chiltern Radio, Euro Disney, **MOTORS (2)** Pendragon, Sanderson Murray Elder. **NEWSPAPERS (2)** Blenheim, EMAP. **PAPERS (5)** Abbott Mead Vickers, Gold Greenlees Trott, Smith (DS). **PROPERTY (1)** Land Securities 10pc 2030. **SHOES (2)** Pittard, Strong & Fisher. **TEXTILES (1)** Readicut. **TOBACCOS (1)** Rothmans B. **TRUSTS (28)** American Tst., Archimedes Cap., Dunedin Inc. Growth, Govett Atlantic, INVESCO MIM, Do. 9pc 1995-00, Intrum Justitia, Jupiter Tarbutt Merlin, M & G, Merchants Tst., Mexico Fund, Murray Inc., Murray Intl., Personal Assets, River & Merc. Extra Inc. Wrrnts., Scottish Amer., Second Alliance, Temple Bar, Throg. Dual Inc. Cap., Yeoman Cap., **OILS (1)** Total B.

NEW LOWS (19).
CANADIANS (1) Breakwater Res., **BUILDINGS (2)** Explaura, Phoenix Timber. **STORES (1)** Brown & Jackson. **ELECTRICALS (2)** Applied Holographics, Wharfedale. **FOODS (1)** REA. **INDUSTRIALS (2)** Grovewood, Willaire. **LEISURE (2)** Expedier, Yorkshire TV. **MOTORS (1)** Bostrom. **PROPERTY (3)** Cap. & Counties, Merivale Moore, Safeland. **TRUSTS (2)** English & Caledonian, Melville Street Wrrnts., **OILS (1)** Richmond. **MINES (1)** Renison.

TRADING VOLUME IN MAJOR STOCKS

	Volume 000's	Closing Price	Day's change
ADT	811	486	+15
ASDA Group	3,800	97	
Abbey National	3,500	304	+1
Albert Fisher	2,800	103	+½
Allied-Lyons	1,100	583	+6
Amstrad	1,300	50	-2
Anglian Water	1,500	372	+1
Argos	817	237	-2
Argyll Group	1,300	302	
Arjo Wiggins	1,102	280	-1
Ass. Brit. Foods	289	513	+1
BAA	1,400	429	+1
BAT Inds.	3,100	893	-1
BET	1,000	216	
BICC	1,400	445	-1
BOC	611	606	+8
BPB Inds.	111	207	+1
BTR	3,900	429	+8
Bank of Scotland	511	123	
Barclays	1,400	472	-5
Bass	858	997	+12
Beazer	1,800	86	-5
Berisford Int	2,000	36½	+1½
Blue Circle	3,000	271	+2
Booker	582	469	-9
Boots	640	428	-2
Bowater	127	678	+3
Brit. Aerospace	1,900	585	-11
British Airways	833	179	+1
British Gas	3,300	270½	
British Land	398	303	-2
BP	6,700	349½	+5½
British Steel	6,300	129	+2
British Telecom	3,800	391	+2
Bunzl	4,900	105½	+½
Burmah Castrol	242	583	+4
Burton	1,200	41	+½
Cable & Wire.	787	586	+6
Cadburys	3,000	402	+13
Calor Group	608	231	+1
Carlton Comms	252	498	+1
Coats Viyella	1,000	189	-3
Comm. Union	858	524	+7

	Volume 000's	Closing Price	Day's change
Cookson	2,900	125	+3
Courtaulds	1,700	479	+2
Dalgety	1,700	422	+5
De La Rue	418	447	-1
Dixons	1,000	205	
ECC Group	1,000	460	-2
Eastern Elect.	482	174	-2
East Midland Elect.	634	198	-3
Enterprise Oil	386	520	+2
Eurotunnel Units	560	498	+3
FKI	383	69	
Ferranti	187	8½	
Fisons	1,100	482	-3
Forte	1,500	283	+1
Gen. Accident	875	551	+15
General Elect.	5,300	193	+2
Glaxo	1,200	1367	+26
Glynwed Int.	294	293	+2
Granada	1,200	175	+5
Grand Met.	824	826	+4
GUS A	486	1306	+2
GRE	8,700	195	+14
GKN	630	377	+3
Guinness	1,200	985	+4
Hammerson "A"	214	618	-7
Hanson	3,800	218½	+1
Hanson Warrants	1,500	33½	
Harrisons Crosfield	246	158	+1
Hawker Sidd.	152	585	+1
Hillsdown	1,100	235	+1
IMI	131	258	-3
ICI	831	1348	+8
Inchcape	687	380	+4
Kingfisher	1,500	574	-4
Ladbroke	8,200	279	+5
Land Securities	518	518	
Laporte	584	591	+2
Legal & General	1,100	441	+2
Lloyds Abbey	318	419	-4
Lloyds Bank	1,000	387	-3
LASMO	814	324	+3
London Elect	400	197	-2
Lonrho	583	241	

	Volume 000's	Closing Price	Day's change
Lucas	471	155	-1
MB Caradon	1,400	265	+10
MEPC	236	475	-3
Manweb	138	240	-3
Marks & Spencer	2,700	288	+1
Maxwell Comms.	86	158	
Midland Bank	1,000	254	+2
Midlands Elect.	393	202	-3½
NFC	671	200	+1
NatWest Bank	830	346	-1
National Power	9,700	157½	+5
Next	346	34	+½
North West Water	438	365	+1
Northern Elect.	352	207	
Northern Foods	180	620	+5
Norweb	627	213	-3
Pearson	208	746	-2
P & O	118	577	+2
Pilkington	5,300	166	
PowerGen	6,300	170	+3½
Prudential	1,500	259	+2
RHM	1,700	284	+2
RMC	145	864	-2
RTZ	1,000	595	+6
Racal	3,600	223	-1
Racal Telecom	490	340	-5
Rank Org.	186	729	-2
Reckitt & Colman	400	860	+5
Redland	808	573	-1
Reed Intl.	2,000	465	-3
Rentokil	102	378	+1
Reuters	714	888	+8
Rolls Royce	7,800	134	-½
Rothmans	372	1103	+13
Ryl Bk Scotland	1,500	165	-2
Royal Insurance	1,100	404	+6
Saatchi	1,000	18	
Sainsbury	2,400	361	+1
Scottish & New.	589	411	+2
Scot. Hydro-Elect.	3,200	112½	+½
Scottish Power	8,400	108	+½
Sears	826	65½	-½
Sedgwick	475	273	-4

	Volume 000's	Closing Price	Day's change
Seaboard	596	198	
Severn Trent Water	1,200	333	-1
Shell Transport	1,800	530	+1
Siebe	706	513	+2
Slough Ests	80	261	-1
Smith (W.H.) A	419	459	+2
Smith & Nephew	1,300	138¼	+½
SmKl Beecham	801	789	-2
SmKl Beecham Uts.	107	3458	+10
Smiths Inds.	483	283½	-½
Southern Elect.	855	190	-1½
South Wales Elect.	179	243	-3
South West Water	126	346	-1
South West. Elect.	52	207	-1
Southern Water	910	342	+4
Standard Chartd.	653	377	+8
Storehouse	418	111	
Sun Alliance	4,600	369	+11
T&N	450	174	
TI Group	881	614	+17
TSB	2,800	159½	-½
Tarmac	1,300	233	+2
Tate & Lyle	1,000	391	-1
Taylor Woodrow	111	223	
Tesco	3,300	288	-3
Thames Water	1,800	367	
Thorn EMI	819	799	+2
Tomkins	503	385	+7
Trafalgar House	882	247	+7
Ultramar	1,300	283	+5
Unigate	328	326	
Unilever	693	758	+1
United Biscuits	1,300	388	+1
Utd. Newspapers	758	383	
Wellcome	417	745	
Welsh Water	822	386	+1
Wessex Water	107	373	
Whitbread 'A'	407	487	+2
Williams Hldgs.	3,600	345	+3
Willis Corroon	1,500	310	+2
Wimpey	589	171	-3
Yorkshire Elect.	435	232	-3
Yorkshire Water	221	383	

Based on the trading volume for a selection of Alpha securities dealt through the SEAQ system yesterday until 4.30pm. Trades of one million or more are rounded down.

EQUITY FUTURES AND OPTIONS TRADING

DERIVATIVES dealers approached the end of the three-week trading account in the underling equity market not with a bang but a whisper yesterday. Volume and volatility wallowed at minimal levels, writes Peter John.

On Liffe, the September Footsie future opened up in the wake of a strong Wall Street. Some observers said independent traders had long positions and were trying to force the future contract up so they could sell. Others pinpointed American buyers.

Whatever was behind the early gain it had no solid backing from institutional investors and soon lost its momentum. The contract picked up again in the afternoon to close at 2,664, still well over its estimated fair value premium of 17 points above the underlying cash market.

In LTOM, turnover was down on the previous day with 22,700 contracts traded and only two stock options breaking the 1,000 level. Hanson was the top equity performer. Cadbury, which was the subject of bid speculation, was also busy.

Long-dated FT-SE puts saw brisk business, interpreted either as a hedge against falls in the market or a view that underlying volatility is set to increase.

LONDON SHARE SERVICE

BRITISH FUNDS

1991 High	1991 Low	Stock	Price £	+ or -	Yield Int.	Yield Red.
		"Shorts" (Lives up to Five Years)				
100⅛	99⅛	Exch. 11pc 1991	100	.....	11.00	[illegible]
99⅝	96⅜	Treas. 8pc 1991	99⅝	+⅛	[illegible]	[illegible]
101⅝	100⅛	Treas 12¾pc 1992‡‡	100⅛	.....	[illegible]	[illegible]
99⅞	97⅝	Treas 10pc 1992	99⅞	.....	[illegible]	[illegible]
132¼	125⅞	Treas. 2pc IL 1992‡‡	132¼	-⅛	2.01	[illegible]
98⅝	95⅛	Treas. 8pc 1992 ‡‡	98⅝	+⅛	8.11	[illegible]
100⅞	98⅜	Treas 10½pc Cv 1992‡‡	100⅞	.....	[illegible]	[illegible]
96	91⅛	Treas. 3pc 1992	96	+⅛	3.13	[illegible]
102⅜	100⅜	Exch. 12¼pc '92	102	.....	[illegible]	[illegible]
104⅜	102⅛	Exch 13½pc 1992	103⅜	.....	[illegible]	[illegible]
97⅛	94	Treas 8¼pc 1993	97⅛	+⅛	[illegible]	[illegible]
100	97⅛	Treas 10pc 1993‡‡	100	+⅛	10.00	[illegible]
104⅝	102⅛	Treas 12½pc 1993‡‡	104⅛	.....	[illegible]	[illegible]
94	89⅝	Funding 6pc 1993‡‡	94	.....	6.38	[illegible]
108⅛	105⅜	Treas 13¾pc 1993‡‡	107⅛	+⅛	[illegible]	[illegible]
96⅛	92⅛	Treas. 8½pc 1994	96⅛	+⅛	[illegible]	[illegible]
111⅛	108⅛	Treas 14½pc 1994‡‡	109⅛	+⅛	[illegible]	[illegible]
109	105	Exch 13½pc 1994	107⅛	+⅛	[illegible]	[illegible]
100⅛	96⅛	Treas. 10pc Ln. 1994‡‡	100⅛	+⅛	[illegible]	[illegible]
106⅛	103⅛	Exch. 12½pc 1994	106⅛	+⅛	[illegible]	[illegible]
97⅛	93⅛	Treas 9pc 1994‡‡	97⅛	+⅛	[illegible]	[illegible]
106⅛	102⅛	Treas 12pc 1995	105⅝	+⅛	11.36	9.98
89	82¼	Exch 3pc Gas 90-95	86½	.....	3.47	7.20
100⅞	96⅛	Exch. 10¼pc 1995	100⅞	+⅛	10.18	9.96
109⅛	105⅞	Treas 12¾pc 1995‡‡	109⅛	+⅛	11.68	10.02
113⅛	109⅛	Treas. 14pc '96	112⅛	+⅛	12.40	10.26
97⅛	92⅛	Treas. 9pc 1992-96‡‡	97⅛	+⅛	9.23	9.69
119⅛	115⅛	Treas 15¼pc 1996‡‡	118⅛	+⅛	12.89	10.20
112⅛	108	Exch 13¼pc 1996‡‡	111⅛	+⅛	11.90	10.14
		Five to Fifteen Years				
100⅝	95⅛	Conversion 10pc 1996	100⅜	+⅛	9.98	9.92
100⅛	97⅛	Do. 10pc 1996 B	100⅛	+⅛	10.11	9.94
113⅝	108⅛	Treas 13¼pc 1997‡‡	112⅝	+⅛	11.76	10.12
102⅝	97¼	Exch 10½pc 1997	102⅛	+⅛	10.29	9.97
94¼	89⅛	Treas 8¾pc 1997‡‡	94⅛	+⅛	9.23	9.91
122⅛	117	Exch 15pc 1997	121	+⅛	12.40	10.28
98¼	93⅛	Exch. 9¾pc 1998	98¼	+⅛	9.87	9.98
86⅛	80⅛	Treas 6¾pc 1995-98‡‡	86⅛	+⅛	7.79	9.46
127⅛	121⅛	Treas. 15½pc '98‡‡	126⅛	+⅛	12.27	10.18
109⅛	104⅛	Exch. 12pc 1998	109⅛	+⅛	10.96	10.09
98⅜	92⅛	Treas 9½pc 1999‡‡	98⅛	+⅛	9.66	9.80
111⅛	105⅛	Exch. 12¼pc 1999	111⅛	+⅛	11.02	10.11
102⅛	97⅛	Treas. 10½pc 1999	102⅛	+⅛	10.23	9.99
101⅛	95⅛	Conversion 10¼pc 1999	101⅛	+⅛	10.12	9.99
95⅛	89⅛	Conversion 9pc 2000‡‡	95⅛	+⅛	9.44	9.83
116⅛	110½	Treas. 13pc 2000	116⅛	+⅛	11.19	10.18
100⅛	94⅛	Treas 10pc 2001	100⅛	+⅛	9.96	9.91
118⅛	113⅛	Treas. 14pc '98-01	117⅛	+⅛	11.90	10.26
98¼	92⅛	Treas 9¾pc 2002	98¼	+⅛	9.87	9.92

BRITISH FUNDS—Contd

1991 High	1991 Low	Stock	Price £	+ or -	Yield Int.	Yield Red.
100¾	94⅛	Treas 10pc 2003	100¾xd	+⅛	9.93	9.89
108¾	102	Treas. 11½pc 2001-04	108¼xd	+⅛	10.62	10.12
59⅛	53⅛	Funding 3½pc '99-04	59⅛	+⅛	5.85	8.74
97⅛	90⅛	Conversion 9½pc 2004	97⅛	+½	9.75	9.84
97½	90⅛	Conversion 9½pc 2005	97½	+⅛	9.74	9.83
118¼	111	Treas. 12½pc 2003-05	117¾	+½	10.60	9.92
		Over Fifteen Years				
85⅛	79⅛	Treas. 8pc 2002-06‡‡	85⅛	+⅛	9.34	9.83
112½	105⅛	Treas. 11¾pc 2003-07	112⅛	+⅛	10.46	9.91
90¼	84⅛	Treas 8½pc 2007 ‡‡	90⅛	+½	9.43	9.72
125⅞	118⅛	Treas. 13½pc '04-08	125⅛xd	+½	10.76	9.91
94⅛	88⅛	Treas. 9pc 2008 ‡‡	94⅛	+⅛	9.56	9.69
94½	89⅛	Do. 9pc 2008 C	94⅛	+⅛	9.56	9.69
85⅛	80	Treas 8pc 2009	85¼xd	+⅛	9.33	9.68
94⅛	88⅛	Conv 9pc Ln 2011 ‡‡	93⅛	+⅛	9.59	9.69
61⅛	59⅛	Cnv. 9pc 2011 A	61⅛	+⅛	9.58	9.68
63⅛	58⅛	Treas. 5½pc 2008-12‡‡	63⅛xd	+⅛	8.68	9.59
82¼	76⅛	Treas. 7¾pc 2012-15‡‡	82⅛	+⅛	9.43	9.67
121⅛	113⅛	Exch. 12pc '13-'17	120⅛	+½	9.96	9.72
		Undated				
40⅛	37⅛	Consols 4pc	40⅛	+⅛	9.95	-
35⅛	33⅛	War Loan 3½pc‡‡	35⅛	+⅛	9.77	-
59⅛	57¼	Conv. 3½pc '61 Aft	59⅛xd	+⅛	5.89	-
29⅝	28¼	Treas. 3pc '66 Aft	29⅛	.....	10.11	-
25⅜	23⅝	Consols 2½pc	25⅛	.....	9.93	-
25⅛	23⅛	Treas. 2½pc	24⅛xd	.....	10.03	-
		Index-Linked				
		(b)			(1)	(2)
120⅛	115⅛	Do. 2 '94 (102.9)	119⅞	-⅛	3.12	4.10
172⅛	168⅛	Do. 2pc '96 (67.9)	172⅛	-⅛	3.71	4.25
142⅛	137⅛	Do 2½pc '01 (78.3)	142⅛	-⅛	3.96	4.26
138½	133	Do. 2½pc '03 (78.8)	138½	+⅛	4.01	4.28
140¼	135	Do. 2pc '06 (69.5)	139⅛	+⅛	4.11	4.32
128⅛	124⅛	Do. 2½pc '09 (78.8)	128	+⅛	4.14	4.33
132⅛	128⅛	Do. 2½pc '11 (74.6)	132	+⅛	4.15	4.33
109⅛	105⅛	Do. 2½pc '13 (89.2)	108⅛	+⅛	4.16	4.32
117⅛	113⅛	Do. 2½pc '16 (81.6)	115⅛	+⅛	4.16	4.32
113⅛	109⅛	Do. 2½pc '20 (83.0)	110⅛	+⅛	4.16	4.30
95⅛	91⅛	Do. 2½pc '24‡‡ (97.7)	91⅛	+⅛	4.13	4.26

Prospective real redemption rate on projected inflation of (1) 10% and (2) 5%. (b) Figures in parentheses show RPI base for indexing, (ie 8 months prior to issue) and have been adjusted to reflect rebasing of RPI to 100 in January 1987. Conversion factor 3.945. RPI for December 1990: 129.9 and for July 1991: 133.8.

INT. BANK AND O'SEAS

1991 High	1991 Low	Stock	Price £	+ or -	Yield Int.	Yield Red.
104⅛	95⅞	African Dv Bk 11¼Ln 2010	103⅞	.....	10.71	10.62
99⅛	91⅞	Asian Dev Bk 10¼pcLn2009	99⅛	.....	10.34	10.36
113⅛	105⅛	Int-Am Dev Bk 12½pc 2003	112⅛	.....	11.09	10.54
93⅛	86⅞	Do. 9¼pcLn 2015	93⅛	.....	10.43	10.50
124	101	Utd. Mexican States 16½pc 2008	123¾	.....	13.33	12.99

CORPORATION LOANS

1991 High	1991 Low	Stock	Price £	+ or -	Yield Int.	Yield Red.
103½	100½	Birmingham 11½pc 2012	102½	.....	11.22	11.20
97½	93½	GLC 6¾pc 1990-92	97½	.....	6.92	11.05
115½	110½	Leeds 13½pc 2006	114½	.....	11.79	11.40
30	28	Liverpool 3½pc Irred.	30	.....	11.67	-
27	26	LCC 3pc '20 Aft	26	.....	11.54	-
103½	97½	Manchester 11½pc 2007	102½	.....	11.22	11.15

COMMONWEALTH & AFRICAN LOANS

1991 High	1991 Low	Stock	Price £	+ or -	Yield Int.	Yield Red.
90	84½	Sth Rhod. 87-92 Assd.	90	.....	-	-

LOANS

Building Societies

1991 High	1991 Low	Stock	Price £	+ or -	Yield Int.	Yield Red.
104½	102	N'wide Anglia 3¾pc Ln 2021	103½	.....	-	5.49
107	104	Do. 4.25pcIL '24	105¼	.....	-	5.12

Public Board and Ind.

1991 High	1991 Low	Stock	Price £	+ or -	Yield Int.	Yield Red.
53	52	Met. Wtr. 3pc 'B'	52	.....	5.77	9.70

FOREIGN BONDS & RAILS

1991 High	1991 Low	Stock	Price £	+ or -	Div % Gross	Red. Yield
50	50	Greek 7pc Ass.	58	.....	3.50	f7.00
50	50	Do 6pc 28 Stb. Ass.	58	.....	3	f6.00
50	50	Do 4pc Mixed Ass.	50	.....	2	f4.00
55	55	Hung. '24 Ass.	55	.....	2.75	f3.57
129⅛	120⅛	Hydro Quebec 15pc 2011	129⅛	.....	12.89	11.23

Continued on next page

APPOINTMENTS

Prestige Group managing director

■ Mr Guy Moreland-Green (pictured) has been appointed managing director of the PRESTIGE GROUP's UK and European operations, from September 1. He also joins the group board. Prestige is the housewares division of Gallaher, and Mr Moreland-Green has headed the distribution division of Gallaher Tobacco for the past five years. Before that he was managing director of J.R. Freeman & Sons, Gallaher's cigar manufacturing subsidiary based in South Wales.

■ Litigation solicitor Mr Greg Gray is to rejoin HOLMAN, FENWICK & WILLAN, a City-based maritime law practice, as a partner. He left the firm in December 1988 to work for Slaughter and May. Mr Gray will join the shipping and commercial litigation department on September 2.

Transmanche-Link chairman changes

■ Mr Philippe Essig is standing down as chairman of the TRANSMANCHE-LINK (TML) supervisory board. He will be succeeded by Mr Pierre Parisot. Mr Essig has also ceased to be full-time chairman of TML, but he has agreed to become a special consultant on transportation matters. Mr Parisot, already a member of the supervisory board, is deputy general manager of Société Générale d'Enterprises, one of the ten contractors (five British and five French) which form TML. Although Mr Parisot will not take on Mr Essig's role as full-time chairman of TML, he intends to work closely with, and to support the chief executive, Mr Jack Lemley, and his senior management team.

■ Mr I.R.B. Perkins has been appointed a managing director of KING & SHAXSON HOLDINGS, and of King & Shaxson. He was a director of James Capel & Co.

■ RELIANCE NATIONAL INSURANCE COMPANY (U.K.) has appointed Mr Carl L. Bach as managing director of its London office. He was general manager of the AIG multinational accounts division, AI Global (U.K.), and senior underwriter, casualty lines.

■ Mr Chris Parkinson has been promoted to managing director of JAYCEE FURNITURE, Brighton, reproduction furniture maker. He has been commercial director since 1989, having joined the company in 1988 as financial director.

■ Mr Rod Macaulay has been appointed financial director at BAILEY TELECOM, Leeds. He joined the company in 1989 from Marconi Instruments.

■ Mr David Bishop (pictured) has been appointed marketing director of JOHNSON MATTHEY ASIA, based in Hong Kong. He joined Johnson Matthey in 1976 and has been general manager, marketing, in the precious metals division since last year.

■ Mr John N. Ricketts has been appointed managing director of INFOCHECK ON LINE. Mr David W. Clark becomes group managing director of Infocheck.

■ Mr Simon Whitelaw (pictured) has been appointed managing director of NEPTUNUS CRC. He will be responsible for developing and marketing the company's "one-stop" container care package. Mr Whitelaw was with the Swire group in the Far East and with Maersk in the UK.

■ TULLOW OIL has appointed Mr Daniel J. O'Donohoe to the board as a non-executive director. He is a director of International Aircraft Services, Crest Investment Trust, and Avenue Investment Company.

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AMERICANS

[illegible]

CANADIANS

[illegible]

For Varity see Americans

BANKS, HP & LEASING

[illegible]

Hire Purchase, Leasing, etc.

[illegible]

BEERS, WINES & SPIRITS

[illegible]

BUILDING, TIMBER, ROADS

[illegible]

BUILDING, TIMBER, ROADS – Contd

[illegible]

CHEMICALS, PLASTICS

[illegible]

DRAPERY AND STORES

[illegible]

DRAPERY AND STORES – Contd

[illegible]

ELECTRICALS

[illegible]

ELECTRICITY

[illegible]

For Scottish Hydro-Electric see EQUITIES under LONDON RECENT ISSUES

ENGINEERING

[illegible]

For Alan Cooper see Calderburn

FOOD, GROCERIES, ETC

[illegible]

HOTELS AND CATERERS

[illegible]

INDUSTRIALS (Miscel.)

[illegible]

INDUSTRIALS (Miscel.) – Contd

[illegible]

INDUSTRIALS (Miscel.) – Contd

[illegible]

INSURANCES

[illegible]

LEISURE

MOTORS, AIRCRAFT TRADES

NEWSPAPERS, PUBLISHERS

PAPER, PRINTING, ADVERTISING

هكذا من الأصل

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LEISURE

1991 High	Low	Stock		Price	+ or -	Div Net	C'vr	Y'ld Gr's	P/E
708	155	Airtours 10p	β	619	-9	†8.25	2.9	1.8	19.4
•108	71½	♦Allied Leis. 5p	α	108	+2	F4.75	3.5	5.9	7.6
246	140	Anglia TV	α	161	...	9.26	2.4	7.7	7.4
31	14	Avesco 1p	α	23	...	1.5	1.1	8.7	14.2
9	4½	♦BCE Hldgs 5p	β	5½	...	–	–	–	–
178	125	Barr & W.A.T. 'A'	β	164	...	9.75	1.6	8.1	10.4
740	425	Boosey & Hawkes	β	740	...	16.4	2.7	3.0	14.8
55	24	♦Border T.V.	β	53½	...	2.1	♦	5.4	♦
88	17	Brent Walker 10p	α	26	-½	5.0	–	–	–
28	4	Do 6pc Cv Cm Rd Pf £1	γ	7	...	6.0	–	–	–
55	13	Buckingham Int'l 10p	α	24	...	‡2.1	1.8	‡	5.6
350	183	Campari Int. 20p	β	346	...	†11.0	2.9	4.2	9.5
210	134	Capital Radio 2½p	α	205	+3	5.25	2.9	3.4	13.5
518	350	Carlton Comms 5p	α	499	+1	†14.1	2.4	3.8	14.0
82	61	Do. 6.5p Prf 5p	γ	80	+1	6.5	–	10.8	–
253	168	♦Castle Comms. 5p	β	218	...	8.5	1.7	5.2	14.6
900	480	Central ITV	β	895	...	28.5	1.4	4.2	21.9
161	120	Chiltern Radio 10p	β	161	+8	†4.8	2.6	4.0	12.4
89	39	Chrysalis	β	76	...	‡s2.0	–	‡	–
69	27	Cityvision 5p	α	38	+1	1.0	7.0	3.6	5.0
6	3	Classic Th'breds I£0.20	γ	4	+½	–	–	–	–
248	225	Eurocamp 5p	α	243	-2	R8.5	2.5	4.7	11.7
1405	908	Euro Disney Fr10	α	1403	+18	–	–	–	–
30	5	European Leis. Ir25p	α	13	...	1.7	2.2	17.4	2.2
•44	21½	Ex Lands 10p	α	31	...	–	–	–	–
47	15	♦Expamet 20p	α	16	...	1.0	2.7	8.6	4.2
563	405	Fairline Boats 10p	β	468	+5	21.0	4.1	6.0	5.4
276	188	First Leisure	α	265	-1	†5.05	2.6	2.6	18.2
253	195	♦GWR Group 20p	β	247	...	†6.0	3.2	‡	12.9
75	59	Grampian TVA 10p	β	67	...	4.1	♦	8.2	♦
8	4	♦Greenwich Comm. 1p	β	4	...				

MOTORS, AIRCRAFT TRADES

Commercial Vehicles

Components

Garages and Distributors

NEWSPAPERS, PUBLISHERS

PAPER, PRINTING, ADVERTISING

PROPERTY

SHOES AND LEATHER

SOUTH AFRICANS

TEXTILES

TOBACCOS

TRANSPORT

TRANSPORT—Contd

INVESTMENT TRUSTS

INVESTMENT TRUSTS—Contd

Net asset values supplied by County NatWest Wood Mackenzie as a guide only

FINANCE, LAND, ETC

WATER

1991 High	Low	Stock		Price	+ or -	Div Net	C'vr	Y'ld Gr's	P/E
383	331	Anglian £1	α	372	+1	17.5	2.2	6.3	(8.1)
170	135	East Surrey 10p		170	...	8.0	2.7	6.3	(6.4)
179	155	Mid Kent Hldgs £1		171		a8.0	2.8	6.2	6.5
387	322	North West £1	α	365	+1	18.0	q2.5	6.6	(6.7)
406	327	Northumbrian £1	α	360		18.6	2.9	6.9	5.5
370	300	Severn Trent £1	α	333	-1	17.55	3.0	7.0	5.2
397	293	Southern £1	α	342	-4	17.7	2.5	6.9	(6.4)
392	308	South West £1	α	346	-1	20.0	q2.7	7.7	(5.3)
394	323	Thames £1	α	367	...	17.5	2.2	6.4	(7.9)
422	341	Welsh £1	α	366	-1	19.5	3.5	7.1	4.5
456	325	Wessex £1	α	373		17.7	2.7	6.3	(6.4)
401	335	Yorkshire £1	α	383		17.7	2.5	6.2	(7.3)

OIL AND GAS

PLANTATIONS

Rubbers, Palm Oil

Teas

MINES

Central Rand

Eastern Rand

Far West Rand

O.F.S.

Diamond and Platinum

Central African

Finance

Australians

MINES—Contd

1991 High	Low	Stock	Price	+ or -	Div Net	C'vr	Y'ld Gr's
49	17	♥Delta Gold 25c	44	-2	†04c	7.8	6.2
42	28	♥Dominion Mining	31	-1	01c	–	2.6
19½	11	Doral Resources	18	–	–	–	–
4½	1½	♥Dragon Mining	4	...	–	–	–
32	20	♥Emperor Mines	25	...	–	–	–
5½	3	♥Forsayth NL	4½	-½	–	–	–
35½	19½	♥GM Kalgoorlie 5c	30	-½	–	–	–
47	29	♥Gwalia Cons 20c	39	...	06c	2.2	7.2
78	36	♥Indonesian Diamond $2	38	-4	–	–	–
2½	1	♥Jason Mining 20c	1¼	...	–	–	–
1¼	0½	♥Julia Mines NL	1	...	–	–	–
84	65	♥Kidston Gld Min 20cts	65	-3	038c	1.2	27.3
74	42	♥Meekatharra 25c	43		n	–	–
21½	9	♥Metana Minerals NL	18½	-1	–	–	–
98	56	♥MIM Hldgs 50c	96	+3	012c	1.8	5.8
9	2	♥Meloon Australia 50c	6	...	–	–	–
9	1	♥Mount Burgess 20c	8	...	–	–	–
60	38	♥Normandy Poseidon	53	-4	–	–	–
120	64	♥N Bkn Hill Peko 50c	113	-3	013c	2.2	5.4
77	25	♥Pancont'l 25c	31	-1	04c	2.7	6.0
3	2	♥Paragon Resources NL	2¼	...	–	–	–
77	49	♥Pasminco	65	-2	–	–	–
133	93	♥Placer Pac. 30cts	104	-3	–	–	–
35	10	Precious Metals Australia	26	-3	–	–	–
323	237	♥Renison 50c	237	-1	034c	1.9	7.0
9	2	♥St. Barbara 20c	8¼	...	–	–	–
1½	0¼	Samson Exploration	1¼	...	–	–	–
242	175	♥Sons Gwalia NL	177	-3	050c	♦	13.9
32	13	♥Southern Pacific	26	...	–	–	–
2	1	Spargos	1½	...	–	–	–
259	153	Westn Mining 50c	238	-7	†030c	1.8	5.9
3	0½	♥Westralian Res Pro 20c	0½	...	–	–	–

Tins

1991 High	Low	Stock	Price	+ or -	Div Net	C'vr	Y'ld Gr's
25	20	♥Ayer Hitam $M1	25	...	Q17½c	–	15.1
90	45	Gopeng Berhad M$0.50	90	...	05c	♦	2.6
57	27	Malaysia Mng 10c	41	...	05c	3.5	2.6
170	130	Petaling $M1	170	...	†Q10c	1.7	‡

Miscellaneous

1991 High	Low	Stock		Price	+ or -	Div Net	C'vr	Y'ld Gr's
34	20	††Glencar Exploration	γ					
26	17	Greenwich Res 5p	α	17	-1	–	–	–
£6¾	£3⅝	Hemlo Gold Mines		£5	-⅛	020c	–	2.2
£11¼	£7⅛	Homestake Mining $1		£8¼	-⅜	020c	–	1.4
61	30	††hernia West	γ	55	...	–	–	–
46	35	††Kells Mns. Ir5p	γ	35	...	–	–	–
25	9	††Kenmare	γ	11½	...	–	–	–
18	15	††Navan Resources	γ	18	...	n	–	–
99	52	Northgate Expl C$1		68	...	s	–	–
16	5	North West Expl.		5	-2	–	–	–
188	82	Oryx Gold Hldgs		138	...	–	–	–
23	11	††Ovoca Gold IR 2p	γ	13	...	–	–	–
44	18	Plateau Mining 20p	β	19	...	–	–	–
600	404	RTZ 10p	α	595	+6	19.5	2.2	4.4
11	3½	♥Thorco Res. Inc		10½	...	–	–	–
10	4	♦Vizcaya Hldgs 5p	β	4	...	–	–	–
133	118	♦Young Group 10p	β	124	...	5.2	1.7	5.7

NOTES

Stock Exchange dealing classifications are indicated to the right of security names: α Alpha refers to shares traded through SEAQ by at least two marketmakers and with a normal market size of 2,000 or more, based on experience of how many of its shares are traded in the typical deal. β Beta refers to all other shares. γ Gamma refers to other traded instruments.

Highs and lows are based on intra-day mid prices. Unless otherwise indicated, prices and net dividends are in pence and denominations are 25p. Estimated price/earnings ratios and covers are based on latest annual reports and accounts and, where possible, are updated on half-yearly figures. P/Es are calculated on "net" distribution basis, earnings per share being computed on profit after taxation and unrelieved ACT where applicable; bracketed figures indicate 10 per cent or more difference if calculated on "nil" distribution. Covers are based on "maximum" distribution; this compares gross dividend costs to profit after taxation, excluding exceptional profits/losses but including estimated extent of offsettable ACT. Yields are based on middle prices, are gross, adjusted to ACT of 25 per cent and allow for value of declared distribution and rights.

Estimated Net Asset Values (NAVs) are shown for Investment Trusts, in pence per share, along with the percentage discounts (Dis) or premiums (Pm –) to the current pre-closing share price. The NAV basis assumes prior charges at par value, convertibles converted and warrants exercised if dilution occurs.

- ● "Tap Stock"
- • Highs and lows marked thus have been adjusted to allow for rights issues for cash
- † Interim since increased or resumed
- ‡ Interim since reduced, passed or deferred
- ‡‡ Tax-free to non-residents on application
- ♦ Figures or report awaited
- ♥ Not officially UK listed; dealings permitted under rule 535(4)(a)
- ♦ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- †† Not officially listed.
- # Price at time of suspension
- ¶ Indicated dividend after pending scrip and/or rights issue; cover relates to previous dividend or forecast.
- ♦ Merger bid or reorganisation in progress
- ♣ Not comparable
- ♠ Same interim; reduced final and/or reduced earnings indicated
- § Forecast dividend; cover based on earnings updated by latest interim statement.
- † Cover allows for conversion of shares not now ranking for dividends or ranking only for restricted dividend.
- ‡ Cover does not allow for shares which may also rank for dividend at a future date. No P/E usually provided.
- ‖ No par value

B.Fr. Belgian Francs. Fr. French Francs. §§ Yield based on assumption Treasury Bill Rate stays unchanged until maturity of stock. a Annualised dividend. b Figures based on prospectus or other official estimates. c Cents. d Dividend rate paid or payable on part of capital, cover based on dividend on full capital. e Redemption yield. f Flat yield. g Assumed dividend and yield. h Assumed dividend and yield after scrip issue. j Payment from capital sources. k Kenya. m Interim higher than previous total. n Rights issue pending. q Earnings based on preliminary figures. s Dividend and yield exclude a special payment. t Indicated dividend: cover relates to previous dividend, P/E ratio based on latest annual earnings. u Forecast, or estimated annualised dividend rate, cover based on previous year's earnings. v Subject to local tax. x Dividend cover in excess of 100 times. y Dividend and yield based on merger terms. z Dividend and yield include a special payment: Cover does not apply to special payment. A Net dividend and yield. B Preference dividend passed or deferred. C Canadian. E Minimum tender price. F Dividend and yield based on prospectus or other official estimates for 1990-91. G Assumed dividend and yield after pending scrip and/or rights issue. H Dividend and yield based on prospectus or other official estimates for 1991. K Dividend and yield based on prospectus or other official estimates for 1990. L Estimated annualised dividend, cover and P/E based on latest annual earnings. M Dividend and yield based on prospectus or other official estimates for 1991-92. N Dividend and yield based on prospectus or other official estimates for 1989-90. P Figures based on prospectus or other official estimates for 1991. Q Gross. R Forecast annualised dividend, cover and p/e based on prospectus or other official estimates. T Figures assumed. W Pro forma figures. Z Dividend total to date.

Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xd ex capital distribution.

REGIONAL & IRISH STOCKS

The following is a selection of Regional and Irish stocks, the latter being quoted in Irish currency

Craig & Rose £1	β	640	......
Finlay Pkg. 5p	β	19	......
Holt (Jos) 25p	β	1978	+3
Helton Hldgs	γ	43	......
IRG		138	......
United Drug		171	......

IRISH

Cap 8½% Ln 2010	£94¼	+¼
9pc Cap Ln 1996	£98⅝	+¼
Fin 13% 97/02	£112½	......
Arnotts	175	......

TRADITIONAL OPTIONS

3-month call rates

Industrials

	p
Allied-Lyons	46
Amstrad	7
Astec (BSR)	6
BAT	60
BOC Grp	31
BTR	33
Barclays	38
Blue Circle	24
Boots	30
Bowaters	53
Brit Aerospace	56
British Steel	12
Brit. Telecom	29
Cadburys	33
Charter Cons.	45
Comm Union	44
Courtaulds	32
Eurotunnel	50
FKI	6
FNFC	20
Gen Accident	48
GEC	17
Glaxo	80
Grand Met	62
Guardian	19
GKN	31
Hanson	19
Hawker Sidd	39
ICI	80
Ladbroke	22
Legal & Gen	36
Lex Service	20
Lloyds Bank	30
Lucas Inds	13
Marks & Spencer	21
Midland Bk	18
Nat West Bk.	27
P & O Dfd.	51
Racal Elect.	18
RHM	28
Rank Org Ord	63
Ratners	17
Reed Intnl	36
Sears	8½
SmKl. Beecham A.	58
TI	45
TSB	12
Tesco	21
Thorn EMI	64
Trust Houses	23
T&N	15
Unilever	60
Vickers	19
Wellcome	40

Property

Brit Land	30
Control Secs.	3
Land Securities	45
MEPC	48
Mountleigh	8½

Oils

Aviva Petlm	3
Brit Petroleum	28
Burmah Castrol	49
Conroy Petlm	10
Gaelic Res	1
Premier	6
Shell	41
Tuskar Res	2
Ultramar	30

Mines

Lonrho	21
RTZ	48

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AUTHORISED UNIT TRUSTS

Abbey Unit Tst Mngrs (1000)H
80 Holdenhurst Rd, Bournemouth 0345 717373

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
High Income						
Gilts & Fixed Int	6	115.5	115.5	122.4	+0.3	6.40
High Inc Equity	6	226.3	239.9xd	248.3	+0.4	5.71
Worldwide Bond	6	207.9	207.9xd	220.4	-0.2	6.81
Capital Growth						
American Growth	6	213.2	213.2	227.7	-0.2	[illegible]
Asian Pacific	6	123.7	126.2	134.2	-0.6	1.17
Assets & Earnings	6	186.1	186.1	197.9	+0.5	2.92
Capital Reserve Acc	0	107.4	107.4	107.4	+0.1	7.06
Capital Reserve Inc	0	84.93	84.89	84.93	-0.05	7.06
Commdty & Energy	6	74.79	74.89	80.09	-0.62	1.86
1992 Enterprise	6	64.66	64.86	69.36	-0.32	2.78
Euro Capital Acc	6	89.22	89.22	95.42	-0.34	1.42
Euro Capital Inc	6	85.24	85.24	91.16	-0.33	1.43
General	6	173.0	173.0xd	185.0	+0.3	2.70
Japan	6	90.92	90.92	97.24	-0.97	-
Mastertrust	6	89.67	89.67	95.90	-0.20	2.13
UK Growth Acc	6	162.9	162.9	174.2	+0.7	2.60
UK Growth Dist	6	104.7	104.7	111.9	+0.4	2.62
US Emerging Cos	6	71.46	71.46	76.42	-0.36	-
Income & Growth	6	310.6	310.6	332.1	+1.1	4.22
Ethical	6	51.89	51.89	55.49	-0.21	3.05
International	6	61.90	62.65	66.94	-0.04	1.32
Dividend & Growth	6	50.23	52.50xd	54.78	-0.27	5.38
Global Gwth & Sec	6	51.52	51.80	55.10	-0.08	1.81

Aberforth Unit Trust Managers Ltd (1600)F
14 Chester St, Edinburgh EH3 7RA 031 220 0733

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
UK Small Cos	0	1021.0	1021.0	1076.0	-25.1	[illegible]

Abtrust Unit Trust Managers Ltd (1200)H
10 Queens Terrace, Aberdeen AB9 1QJ 0800 833580

Bishopsgate Progressive Mgmt Co (1200)F
15 St James' Place, London SW1A 1NW 071-493 9111

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
Progressive Inc	5	[illegible]	18.49	19.51	.	0.95
Progressive Acc	5	[illegible]	27.86	29.40		0.95
International Inc	5	19.30	19.30xd	20.37	..	1.04
International Acc	5	26.25	26.25	27.68		1.04
Cap & Foreign Inc	5	230.1	230.1	242.8	+1.3	0.47
Cap & Foreign Acc	5	275.0	275.0	290.2	+1.7	0.47
Special Sits Inc	5	202.9	202.9	214.1	..	0.80
Special Sits Acc	5	220.4	220.4	232.6		0.80
PEP Inc	5	139.7	137.9	145.5	....	2.42
PEP Acc	5	144.9	147.2	155.4		2.42
Growth Inc	5	80.48	80.48xd	84.94	-0.57	0.59
Growth Acc	5	81.50	81.50	86.02	-0.56	0.59

Brewin Dolphin Unit Tst Mgrs Ltd (0905)F
5 Giltspur St, London EC1A 9DE 071-236 6441

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
Golden Special Sits	5½	119.3	119.3xd	127.5	-0.4	4.11
Dolphin Defence	5½	60.39	60.39xd	64.58	-0.45	5.36
Dolphin Inc & Gth	5½	158.4	153.4xd	160.4	+0.3	4.72
Dolphin UK & Gen	5½	34.55	34.71xd	37.12	-0.15	3.09
[illegible]	[illegible]	47.12	49.23	52.65	-0.07	1.60

Britannia Life Unit Managers Ltd (1200)F
195 West George St, Glasgow G2 2PA 041-332 3132

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
Balanced Growth	6	78.62	78.62	84.09	-0.33	2.71
Do (Accum)	6	83.56	83.56	89.05	-0.35	2.71
Smaller Cos	6	65.35	65.35	69.89	-0.27	2.46
Do (Accum)	6	68.75	68.75	73.53	-0.26	2.46
Income Growth	6	43.95	43.95	47.00	+0.12	5.18
Do (Accum)	6	61.87	61.87	66.18	-0.16	5.18
Higher Yield	6	33.07	33.07	35.37	-0.06	5.19
Do (Accum)	6	41.73	41.73	44.64	-0.08	5.18
American Gth Inc	6	33.72	33.72xd	36.06	-0.16	1.23
Do (Accum)	6	34.36	34.36	36.75	-0.16	1.22
European Growth	6	25.60	25.60	27.37	-0.14	1.88
Do (Accum)	6	26.08	26.08	27.90	-0.05	1.88
Global Bond Inc	6	22.82	22.87	24.46		6.58
Do (Accum)	6	26.38	26.43	28.27		6.58
Managed P'folio Inc	6	25.60	25.68	27.47	+0.01	-
Do (Accum)	6	25.60	25.68	27.47	+0.01	-

Marks & Spencer Unit Trust Ltd (1200)F
PO Box 410, Chester X, CH99 9GG 0244 680066

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
M & S Inc P'folio	5½	114.2	114.2xd	122.1	+0.4	3.19
Do Accum	5½	122.3	122.3xd	130.8	+0.5	3.19
UK Sel P'folio	5½	100.8	100.8	107.8	+0.4	3.92
Do Accum	5½	107.3	107.3	114.7	+0.4	3.92

Marlborough Fund Managers Ltd (1630)F
57 Victoria Square, Belfast BT1 4LA 0232 364842

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
Managed Tst	5	49.14	49.52xd	52.69	-0.13	4.95

Murray Johnstone UT Mgmt (1000)H
7 West Nile St, Glasgow G2 2PX 0345 090 933

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
Accrual	5	72.42	72.72	77.61	-0.50	5.12
Accrual Reserve	3	65.09	65.09	67.03		10.36
American Income	5	133.01	133.10xd	140.80	-1.30	2.87
Equity Income	5	86.21	86.21	92.01	-0.15	5.66
European	5	54.11	54.11	57.75	-0.34	1.49
Far Eastern	5	106.31	106.40xd	113.60	-0.40	2.05
Smaller Cos	5	44.78	44.79	47.80	+0.15	2.99
Olympiad	5½	46.86	46.96xd	49.97	-0.46	1.02
Olympiad Income	5½	44.84	44.84xd	47.79		4.03
UK Growth	5	76.44	77.06	82.25	-1.01	1.86

Rothschild Fund Management – Contd.

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
RAM FSAVC Scheme						
UK Major Co's	5¼	73.62	74.57	78.49	-0.16	-
UK Smaller Co's	5¼	47.73	49.34	51.93	-0.16	-
UK Income	5¼	67.35	68.50	72.10	+0.05	-
America	5¼	69.62	70.75	74.47	-0.11	-
Japanese	5¼	40.06	40.54	42.67	-0.33	-
European	5¼	63.00	63.56	66.90	-0.20	-
Canadian	5¼	50.24	51.87	54.59	-0.53	-
Australasian	5¼	36.95	37.49	39.46	-0.28	-
Gilt	5¼	64.54	64.59	67.98	+0.16	-
Deposit	5¼	67.28	67.28	70.82	-0.09	-
Managed	5¼	71.16	72.21	76.00	-0.17	-

MW Investment Managers Ltd (0659)F
46 Court St, Haddington, E. Lothian 062 082 5867

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
MW Joint Investors	0	1065.4	1065.4	1094.8	...	4.32

Maldon Unit Trust Managers Ltd (1400)F
15 St Botolph St, London EC3A 7EE 031 226 6066

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
Maldon General	0	118.1	118.1	121.1	...	5.47

Manulife Management Ltd (1200)H
St George's Way, Stevenage Dealings: 071-256 5858

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
Growth Units	5½	137.7	139.2xd	148.0	+0.5	3.63
Gilt & Fxd Int	5	148.1	148.1	155.7	+0.6	8.09
Intl Growth	5½	148.0	148.0	157.4	+0.6	0.43
North American	5½	102.1	103.3xd	109.9	+0.4	0.30
Far East	5½	112.3	112.3	119.5	+0.1	0.53
UK Smaller Cos	5½	99.95	99.95	106.3	-0.1	3.15
European	5½	54.30	54.30	57.90	+0.21	0.93
Japanese Growth	5½	34.10	34.10	36.55	+0.21	0.00
Managed P'folio	5½	50.30	50.65	53.88	+0.22	1.30
High Income	5½	154.6	156.2	166.2	+0.5	5.63
High Yielding Gilt	5½	61.30	61.30xd	64.54	+0.01	10.32
Cash		51.69	51.69	51.69	+0.01	9.44

Morgan Grenfell Unit Tst Mgrs Ltd (1000)H
20 Finsbury Circus, London EC2M 1UT
Dealers: 071-826 0826 Enquiries: 071-826 0123

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
American Gwth	5½	170.7	170.7xd	182.2	-0.1	0.80
European Gth Inc	5½	200.2	200.2	213.1	+0.5	0.00
European Gth Acc	5½	200.2	200.2	213.1	+0.5	0.00
Intl Gwth	5½	142.7	142.7	151.9		0.00
UK Equity Inc	5½	121.9	121.9	130.9	+0.1	6.18
UK Equity Acc	5½	137.3	137.3	147.4	+0.1	6.18
UK Ind Tracker Inc	5	125.8	125.8xd	134.2	+0.3	3.67
UK Ind Tracker Acc	5	136.7	136.7xd	145.8	+0.3	3.67
US Eq Ind Tracker Inc	5	149.1	149.1	159.9	-0.5	2.81
US Eq Ind Tracker Acc	5	153.9	153.9	165.1	-0.5	2.81
Japan Tracker	5	58.48	58.48	62.02	+0.44	0.00
Asian Trader	5½	83.80	83.80	89.66	-0.65	1.49
Managed Inc	5½	101.8	101.8	109.4	+0.1	1.91
Managed Acc	5½	103.4	103.4	111.2	+0.1	1.91
Cash Inc	0	100.45	100.45xd	100.45	+0.02	10.75
Cash Acc	0	110.30	110.30xd	110.30	+0.02	10.75
Europa	5½	104.7	104.7	112.0	+0.2	0.00

Geoffrey Morley Unit Mgrs Ltd (1200)F
3 Bedford Park, Croydon CR0 2AQ 081-686 9818

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
Exempt Unit Tst	4	118.87	118.87	126.45	+0.15	2.60
Exempt Smllr Cos	3½	229.85	229.85	248.87	+0.88	1.40

Guide to pricing of Authorised Unit Trusts

Compiled with the assistance of Lautro §§

INITIAL CHARGE: Charge made on sale of units. Used to defray marketing and administrative costs, including commission paid to intermediaries. This charge is included in the price of units.

OFFER PRICE: Also called issue price. The price at which units are bought by investors.

BID PRICE: Also called redemption price. The price at which units are sold back by investors.

CANCELLATION PRICE: The minimum redemption price. The maximum spread between the offer and bid prices is determined by a formula laid down by the government. In practice, most unit trust managers quote a much narrower spread. As a result, the bid price is often set above the cancellation price. However, the bid price might be moved to the cancellation price by the managers at any time, usually in circumstances in which there is a large excess of sellers of units over buyers.

TIME: The time shown alongside the fund manager's name is the time of the unit trust's valuation point unless another time is indicated by the symbol alongside the individual unit trust name. The symbols are as follows: (♥) - 0001 to 1100 hours; (♣) - 1101 to 1400 hours; (♦) - 1401 to 1700 hours; (♠) - 1701 to midnight. Daily dealing prices are set on the basis of the valuation point; a short period of time may elapse before prices become available.

HISTORIC PRICING: The letter H denotes that the managers will normally deal on the price set on the most recent valuation. The prices shown are the latest available before publication and may not be the current dealing levels because of an intervening portfolio revaluation or a switch to a forward pricing basis. The managers must deal at a forward price on request, and may move to forward pricing at any time.

FORWARD PRICING: The letter F denotes that the managers deal at the price to be set on the next valuation. Investors can be given no definite price in advance of the purchase or sale being carried out. The prices appearing in the newspaper are the most recent provided by the managers.

SCHEME PARTICULARS AND REPORTS: The most recent report and scheme particulars can be obtained free of charge from fund managers.

Other explanatory notes are contained in the last column of the FT Managed Funds Service.

§§ Life Assurance and Unit Trust Regulatory Organisation, Centre Point, 103 New Oxford Street, London WC1A 1QH
Tel: 071 – 379 – 0444.

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INSURANCES

Allied Dunbar Assurance Plc
Allied Dunbar Ctr, Swindon SN1 1EL 0793 514514

	Bid Price	Offer Price	+ or -	Yield Gross
Life Funds				
Fixed Int. Dep Acc.	319.6	336.5	–	–
Equity Acc.	1044.9	1099.9	......	–
Property Acc.	487.5	513.2	–	–
Far East Acc.	201.2	211.8	..	–
European Acc.	26.0	27.4	..	–
Managed Cap.	434.9	457.8	...	–
Managed Acc.	812.1	854.9	...	–
O'seas Earnings Acc.	727.8	766.2	..	–
Gilt Edged Acc.	363.9	383.1	....	–
American Equity Acc.	567.5	597.4	...	–
American Man Acc.	252.5	265.8	...	–
American Prop Acc.	128.0	134.8	..	–
Gen 4				
Fixed Int. Dep Acc.	26.6	28.1	...	–
Equity Acc.	27.4	28.9	..	–
Property Acc.	23.3	24.6	.	–
Far East Acc.	23.4	24.7	..	–
European Acc.	22.0	23.2	..	–
Managed Acc.	27.2	28.7	..	–
Overseas Acc.	28.2	29.7	..	–
Gilt Acc.	28.3	29.8	..	–
Am Equity Acc.	28.1	29.6	..	–
Am Managed Acc.	27.3	28.8	..	–
Am Property Acc.	22.2	23.4	...	–
Pension Funds				
F I.Dep Cap	353.4	372.0	+0.2	–
F I.Dep Acc.	654.1	688.6	+0.2	–
Prop. Cap.	509.8	536.7	-0.3	–
Prop Acc.	1043.7	1098.7	-0.3	–
Man Cap.	905.6	953.3	+3.5	–
Man Acc.	1854.3	1951.9	+7.4	–
Gilt Edged Cap.	357.2	376.0	+0.8	–
Gilt Edg. Acc.	596.3	627.7	+1.3	–
Eq. Cap.	1489.6	1568.0	+6.3	–
Eq. Acc.	2309.6	2431.2	+9.9	–
Am Eq Cap	195.4	205.7	+0.1	–
Am. Eq Acc	254.9	268.4	+0.2	–
Far East Cap.	216.9	228.4	-0.3	–
Far East Acc.	283.1	298.0	-0.4	–

Century Life Plc
2 Eyre Street Hill, London EC1R
City Of Edinburgh Life Assurance

Life Funds: Far East Emerg Econ; Fund of Inv Tsts; Money; Special Situations; UK Growth; World Growth
Pension Funds: Fund of Inv Tsts; Special Situations; UK Growth; World Growth
UK Life Assurance: Managed; Property; Equity; International; Fixed Interest; Deposit; Langham "A" Plan; Langham Prop Bond; Langham Wisp Managed
Pension Funds: Managed Capital; Managed Accum; Property Capital; Property Accum; Equity Capital; Equity Accum; Intl Capital; Intl Accum; Fxd Int Capital; Fxd Int Accum; Deposit Capital; Deposit Accum; Langham Harvest

Citibank Life
Perrymount Road, Haywards Heath

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	Bid Price	Offer Price	+ or -	Yield Gross
N & P Life Assurance Ltd				
6-7 Bedford Row, London, WC1R 4UJ 071-430 2348				
Life Managed Fd	109 1	114 8	+0.2	-
Pension Managed Fd	108 4	114 1	+0 5	-
Life Deposit Fd	109.0	114.8	+0.1	-
Pension Deposit Fd	114 9	121 0	+0 1	-
National Financial Management Corp PLC				
72 Gatehouse Rd, Aylesbury, HP19 3JJ 0296 395539				
Life Funds				
Managed Cautionary	119.2	125.5	+2.5	-
Managed Growth	146.2	153 9	+3 0	-
Managed Opportunity	146.7	154.5	+3.3	-
NFMC Target Financial	105.9	111 5	+0 1	-
Pension Funds				
Managed Cautionary	129.3	136.2	+2.4	-
Managed Growth	154 5	162.7	+3 1	-
Managed Opportunity	146.9	154 7	+3.3	-
NFMC Target Fincl Pen	1574 9	1657.8	+6 6	-
National Mutual Life				
The Priory, Priory Pk, Hitchin, SG5 2DW 0462 422422				
Harvester Pension Funds				
Managed	166.7	175.5	+3.5	-
UK Equity	178 2	187 6	+4.7	-
Overseas Equity	134.5	141 6	+4 4	-
Fixed Interest	149.3	157 2	+0 6	-
Property	133.5	140 6	+2.0	-
Index Linked	148 0	155 8	+0 7	-
Deposit	160.3	168 8	+0.3	-
With Profits (B)	131.3	138 3	+0.3	-
National Provident Institution				
48 Gracechurch St, London EC3P 3HH 071-623 4200				
Managed	361.2	380 3	+0 9	-
UK Equity	459 8	484 0	+1 6	-
Overseas Eq	352.4	371 0	+0 7	-
American	296.8	312.5	+0.2	-
Far East	357.7	376 6	+0 5	-
Property	193 2	203 4	+0.3	-
Fixed Int	265 2	279 2	+0.1	-

	Bid Price	Offer Price	+ or -	Yield Gross
Providence Capital Life Assc. Co Ltd				
2 Bartley Way, Hook, Hants RG27 9XA 0256 768888				
UK Equity Acc	234 8	247 7	+0.3	-
UK Fixed Int Acc	181 5	191.5	+0 5	-
Intl Equities Acc	178.6	188.5		-
UK Managed Acc	177 9	187 6		-
Property Acc	224.2	236 6	-0 5	-
Money Acc	131 1	138.3		-
Special Market Acc	147.3	155.4	-1 4	-
Japan Equity Acc	96 2	101.5	+1.0	-
North American Acc	110.8	116.9	-0.2	-
Pacific Acc	92.9	98 1	-0.3	-
Technology Acc	126 0	133.0	+1.2	-
Nat Resources Acc	54 9	58 0	-0.9	-
European Acc	102.5	108 2	+0.5	-
Residential Prop Acc	96.3	101 6		-
Swiss Equities Acc	34 6	36.5		-
Hong Kong Acc	68.0	71 8	-0 7	-
UK High Inc Eq Acc	76 1	80.3	+0 1	-
Int Fixed Interest Acc	58.8	62.1		-
Int Managed Acc	57.2	60.3		-
HIP Managed Acc	120 7	127.3	-0.6	-
HIP Managed II Acc	103.3	108 9	-0 2	-
HIP Managed Int Acc	110.2	116 2	-0.2	-
Total Investment Bond				
UK Equity Initial		159.6	+0.2	-
UK Fixed Int Initial		123 6	+0.3	-
Intl Equities Initial		120 7		-
UK Managed Initial		121 1		-
Property Initial		153 7	-0 4	-
Money Initial		89 6		-
Special Market Initial		114 4	-0.9	-
Japan Equity Initial		74 7	+0.8	-
North American Initial		85 9	-0.2	-
Pacific Initial		72.1	-0.3	-
Technology Initial		97 8	+1.0	-
Nat Resources Initial		42.6	-0 7	-
European Initial		91.9	+0.5	-
Residential Prop Init		91.9		-
Swiss Equities Initial		32.9		-
Hong Kong Initial		65.0	-0 6	-
UK High Inc Eq Init		72.7	+0.1	-
Int Fixed Interest Init		56.9	-	-
Int Managed Init		55 4		-
HIP Managed Init		117 2	-0 7	-

Royal Heritage Life Assurance Ltd — Contd.

Royal Life Insurance Ltd

Royal Liver Assurance

Skandia Life Assurance Co Ltd — Contd.

Target Life Assurance Co Ltd

The Exchange, 66 High St, Aylesbury, Bucks HP20 1SE (0296) 394000

Eurolife Assurance Group

Finexco International Ltd

Independent Financial Group PLC

Lion World Fixed Income Fund

Lloyds Intl Money Market Fund Ltd

OFFSHORE INSURANCES

OFFSHORE AND OVERSEAS

BERMUDA (SIB RECOGNISED)

CANADA (SIB RECOGNISED)

GUERNSEY (SIB RECOGNISED)

GUERNSEY (REGULATED)

MANAGEMENT SERVICES

IRELAND (SIB RECOGNISED)

IRELAND (REGULATED)

هدية من الأجيال

FT MANAGED FUNDS SERVICE

● Current Unit Trust prices are available on FT Cityline. Calls charged at 36p/minute peak and 34p off peak, inc VAT. To obtain your free Unit Trust Code Booklet ring 071-925-2128.

	Bid Price	Offer Price	+ or -	Yield Gross
Baring International Fd Mngrs (Ireland) Ltd				
Australia	$15 82	16 62	+0.03	1.05
Japan Tech	$57.30	60.38	+0 45	-
Japan Fund	$24.09	25.30	+0.34	0 17
Japan New Grth Fd	$18.53	19.46	+0 01	-
Malay Sing	$51.96	54.56	+0.55	0 31
Nth American	$22.35	23 47	-0.23	0.58
Octopus Fund	$21.11	22.17	+0.12	0.88
Pacific Fd	$60.26	63.28	+0 58	-
International Bond	$16.59	17.42	+0 08	6.89
Europa Fund	$12.95	13 60	+0.08	-
British Screen Fd	£0.92	0.97	-	-
Tristar Warrant	$10.34	10.86	+0.17	-
Hong Kong	$48.78	51.22	+0 06	3 09
Mngd Portfolio (Stg)	£4.24	4 57	-	-
Mngd Portfolio (Dlr)	$10.20	10.74	+0.05	-
Currency Fd-Sterling		£19.29	+0.02	-
Currency Fd-US Dollar		$15 27	+0.01	-
Curr Fd-Deutschemark		DM40.19	-	-
Curr Fd-Managed $	$43 50	45.67	+0.08	-

Federated International Funds Plc

	Bid Price	Offer Price	+ or -	Yield Gross
Federated Short-term US Gov't Securities Fund				
Institutional Serv Series *	$1.00		-	5.74
Investment Series *	$1.00		-	5.74

* Annualised Yield

ISLE OF MAN (SIB RECOGNISED)

	Init Charge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
Allied Dunbar Intl Fund Mgrs (1600)F						
Lord Street, Douglas, IoM 0624 661551						
ADI Managed(z)	5	0.5714	0.5714	0 6085	[illegible]	-
ADI Mngd Currency(z)	5	0.3782	0.3782	0.3982	[illegible]	-
ADI W-wide Eq(z)	5	0.6347	0.6347	0.6759	[illegible]	-
ADI Nth Amer Gth(z)	5	0.7682	0.7682	0.8181	[illegible]	-
ADI Far East (z)	5	1.0856	1.0856	1.1561	[illegible]	-
ADI Gilt & Income(z)	5	0.2474	0.2474	0.2605	[illegible]	-
ADI UK Cap Gth (z)	5	0.2354	0.2354	0.2507	[illegible]	-
ADI Europe Fd (z)	5	1.1935	1.1935	1 2711	[illegible]	-

For current Prices of Shares Phone 0624 662860

Midland Bank Fund Managers (Jersey) Ltd
PO Box 26, St Helier, Jersey 0534 606000

	Init Charge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
Intl Growth Portfolio	6	0.9829	0.9829	1.0423	+0.71	1 68
Gilt	5	0.9366	0.9366	0.9657	[illegible]	10.36

For MIM see INVESCO MIM

Royal Trust Jsy Fd Mngt Ltd (1400)F
PO Box 428, St Helier, Jersey 0534 76077

	Init Charge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
Govt Secs Fd	4	56.54	56 54	59.06	+0.02	9.48

TSB Trust Funds (CI)
PO Box 538, St Helier, Jersey 0534 73494

	Init Charge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
TSB Offshore Investment Fund Ltd						
Stg Deposit Class	3	103 04	103 04	106.13	-0 03	10.50
Gilt & Fixed Interest	3	103.92	103 92	107 06	-0 02	9.01
Blue Chip & Gilt Equal	5	51.74	51.74	55.04	+0.03	3.63
International Bond	5	110.05	110.05	115.58	-0 06	6 93
UK Equity	5	124 16	124 16	135 35	-0 07	2 02
International Equity	5	114.23	114.23	122 19	+0.84	0.00
Far Eastern	5	89.28	89.28	95.66	-0.28	0 00
European	5	87.46	87.46	92.75	+0.26	0.00
Pan American	5	146.44	146.44	155.89	+2.01	0 00
TSB Gilt Fund Ltd						
Quarterly Share	3	97.46	97.46	100 66	+0.17	10 43
Monthly Share	3	96.26	96.26	99 40	-0.16	10.76

JERSEY (REGULATED)(**)

Barclays Intl Funds

	Bid Price	Offer Price	+ or -	Yield Gross
Currency Funds				
Sterling		£20.92		10.0
US Dollar		$31.17	+0.01	4.8
Deutschemark		DM54 41		7.6
Yen		Y4,000	+0001	5.9
Managed Multicurrency	£13.33	13.81		-
Managed Multicurrency	$25.02	25 91		-
Bond Funds				
Sterling Bond	£0.406	0.422	+0 001	11.1
US Government Income	$96 72	100.34	+0.62	6.0

Warburg Asset Management Jersey Ltd

Wardley Fund Managers (Jersey) Ltd

Worldinvest (Managers)

Valued weekly. * Monday, † Wednesday

LUXEMBOURG (SIB RECOGNISED)

Abbey Global Investment Fund (a)
47 Ave de la Gare, L-1611, Luxembourg

Aetna Intl Umbrella Fund (a)
47 Blvd Royal, PO Box 275, L-2012 Lux

ISLE OF MAN (REGULATED)(**)

JERSEY (SIB RECOGNISED)

LUXEMBOURG (REGULATED)(**)

SWITZERLAND (SIB RECOGNISED)

OTHER OFFSHORE FUNDS

MANAGED FUNDS NOTES

[illegible]

CURRENCIES, MONEY AND CAPITAL MARKETS

FOREIGN EXCHANGES

D-Mark selling boosts dollar

A *LARGE* order from the Middle East selling D-Marks prompted covering of short dollar positions in late European trading yesterday. This led to a rally by the US currency, bringing it up from the day's low of DM1.7285. It closed in London near the day's high.

The dollar had been drifting lower, when the order to sell D-Marks, possibly by NCB Jeddah, caught the market by surprise. Before that dealers could find little reason to buy dollar's despite some mildly encouraging economic news.

New applications for US unemployment benefit fell by 9,000 to a seasonally adjusted 421,000 in the week ending August 17. The four-week moving average was 414,750, compared with 410,500 in the previous period. Personal income fell 0.1 per cent in July, while consumption rose 0.4 per cent.

The consumption figure was widely expected but was well received, giving evidence that the US economy is recovering from recession, after Wednesday's disappointing second quarter gross national product data.

At the London close the dollar had climbed to DM1.7460 from DM1.7400; to Y137.00 from Y136.65; to SFr1.5255 from SFr1.5175; and to FFr5.9250 from FFr5.9050. On Bank of England figures the dollar's index was unchanged at 66.4.

Sterling was a little lower in general, remaining the third weakest currency in the European exchange rate mechanism. There were no fresh economic factors to move the pound, and the latest opinion poll showing that the ruling UK Conservatives had cut the lead of the opposition Labour Party had no impact.

It is generally expected however that political factors will become a stronger influence on the pound next month, when the UK political conferences take place, and in future months as a general election draws nearer.

Sterling fell 85 points to $1.6815. It also declined to DM2.9350 from DM2.9400; to FFr9.9625 from FFr9.9800; and to Y230.25 from Y231.00, but was unchanged at SFr2.5650. The pound's index closed 0.1 lower at 90.7.

There was no obvious economic reason for the selling of D-Marks, with most operators expecting the currency to hold firm for the time being. The lack of change in the Bundesbank's credit policies came as no surprise at yesterday's council meeting, after the increase in official rates two weeks ago. Figures from the European Commission showed the D-Mark steady in the middle of the ERM.

Surprisingly strong growth in second quarter French gross domestic product failed to lift the franc off the bottom of the ERM. Growth of 0.8 per cent, compared with market expectations of 0.4 per cent, and a flat figure in the first quarter. At the Paris fixing the D-Mark rose to FFr3.3950 from FFr3.3927.

The Belgian franc replaced the lira as the second strongest member of the ERM, but there were no other changes in quiet trading.

EMS EUROPEAN CURRENCY UNIT RATES

	Ecu Central Rates	Currency Amounts Against Ecu Aug 29	% Change from Central Rate	% Spread vs Weakest Currency	Divergence Indicator
Spanish Peseta	133.631	127.852	-4.32	5.71	75
Belgian Franc	42.4032	42.2435	-0.38	1.52	24
Italian Lira	1538.24	1533.06	-0.34	1.48	23
Dutch Guilder	2.31643	2.31326	-0.14	1.28	13
D-Mark	2.05586	2.05375	-0.10	1.24	15
Irish Punt	0.767417	0.767877	0.06	1.08	3
Sterling	0.696904	0.699229	0.33	0.80	-7
Danish Krone	7.84195	7.92684	1.08	0.06	-43
French Franc	6.89509	6.97363	1.14	0.00	-55

Ecu central rates set by the European Commission. Currencies are in descending relative strength. Percentage changes are for Ecu; a positive change denotes a weak currency. Divergence shows the ratio between two spreads: the percentage difference between the actual market and Ecu central rates for a currency, and the maximum permitted percentage deviation of the currency's market rate from its Ecu central rate. Adjustment calculated by Financial Times.

£ IN NEW YORK

Aug 29	Latest	Previous Close
£ Spot	1.6805 - 1.6815	1.6905 - 1.6915
1 month	[illegible]	[illegible]
3 months	[illegible]	[illegible]
12 months	[illegible]	[illegible]

Forward premiums and discounts apply to the US dollar

STERLING INDEX

[illegible]

CURRENCY MOVEMENTS

[illegible]

CURRENCY RATES

[illegible]

OTHER CURRENCIES

Aug 29	£	$
Argentina	[illegible]	[illegible]
Australia	[illegible]	[illegible]
Brazil	[illegible]	[illegible]
Finland	7.1395 - 7.1520	4.2100 - 4.2130
Greece	321.150 - 327.550	189.960 - 193.760
Hong Kong	13.1560 - 13.1690	7.7590 - 7.7610
Iran	113.10*	68.70*
Korea(Sth)	1228.50 - 1248.25	730.30 - 736.10
Kuwait	0.48000 - 0.48020	0.29460 - 0.29470
Luxembourg	60.15 - 60.25	35.75 - 35.85
Malaysia	4.7180 - 4.7260	2.7815 - 2.7835
Mexico	5164.05 - 5168.85	3048.00 - 3049.00
N Zealand	2.9435 - 2.9465	1.7370 - 1.7390
Saudi Ar	6.3560 - 6.3580	3.7500 - 3.7510
Singapore	2.9125 - 2.9195	1.7175 - 1.7195
S Af (Cm)	4.8455 - 4.8570	2.8625 - 2.8645
S Af (Fn)	5.3960 - 5.4835	3.1845 - 3.2360
Taiwan	45.15 - 45.25	26.65 - 26.70
U.A.E.	6.2230 - 6.2265	3.6715 - 3.6735

* Selling rate.

POUND SPOT - FORWARD AGAINST THE POUND

[illegible]

Commercial rates taken towards the end of London trading. Six-month forward dollar 3.89-3.85cpm. 12 Month 7.03-6.93cpm.

DOLLAR SPOT - FORWARD AGAINST THE DOLLAR

[illegible]

Commercial rates taken towards the end of London trading. † UK, Ireland and ECU are quoted in US currency. Forward premiums and discounts apply to the US dollar and not to the individual currency.

EURO-CURRENCY INTEREST RATES

Aug 29	Short term	7 Days notice	One Month	Three Months	Six Months	One Year
Sterling	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
US Dollar	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Can. Dollar	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Dutch Guilder	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Swiss Franc	8⅜ - 7⅞	8¼ - 8	8¼ - 8	8⅛ - 7{15/16}	8 - 7¾	7⅞ - 7⅝
D-Mark	9 - 8¾	9¼ - 9	9{5/16} - 9{3/16}	9⅜ - 9¼	9⅝ - 9½	9⅝ - 9½
French Franc	9 - 8⅞	9{1/16} - 8{15/16}	9{3/16} - 9{1/16}	9⅜ - 9¼	9⅜ - 9{5/16}	9{7/16} - 9{5/16}
Italian Lira	12 - 10	11{1/16} - 10{13/16}	11⅝ - 11⅜	11{13/16} - 11{9/16}	11⅞ - 11½	12⅛ - 11{13/16}
Belgian Franc	9 - 8{13/16}	9{3/16} - 9	9⅛ - 9	9{5/16} - 9{3/16}	9⅜ - 9{5/16}	9½ - 9⅜
Yen	7{9/16} - 7½	7{15/16} - 7{13/16}	7½ - 7{7/16}	7{5/16} - 7¼	7{3/16} - 7⅛	6⅞ - 6{13/16}
Danish Krone	9⅝ - 9½	9⅝ - 9½	9⅝ - 9⅜	9⅝ - 9⅜	9⅝ - 9⅜	9⅞ - 9⅝
Asian $Sing.	6 - 5⅞	6 - 5⅞	6{1/16} - 5{15/16}	6{3/16} - 6{1/16}	6{3/16} - 6{1/16}	6½ - 6⅜

Long term Eurodollars: two years 6⅞-6¾ per cent; three years 7⅛-7¼ per cent; four years 7¼-7⅜ per cent; five years 8-7⅞ per cent nominal. Short term rates are call for US Dollars and Japanese Yen; others, two days' notice.

EXCHANGE CROSS RATES

Aug.29	£	$	DM	Yen	F Fr.	S Fr.	H Fl.	Lira	C$	B Fr.	ECU
£	1	1.681	2.935	230.2	9.962	2.565	3.305	2190	1.922	60.20	1.430
$	0.595	1	1.746	136.9	5.926	1.526	1.966	1303	1.143	35.81	0.851
DM	0.341	0.573	1	78.43	3.394	0.874	1.126	746.2	0.655	20.51	0.487
YEN	4.344	7.302	12.75	1000.	43.28	11.14	14.36	9513	8.349	261.5	6.212
F Fr.	1.004	1.687	2.946	231.1	10.	2.575	3.318	2198	1.929	60.43	1.435
S Fr.	0.390	0.655	1.144	89.75	3.884	1	1.288	853.8	0.749	23.47	0.558
H Fl.	0.303	0.509	0.888	69.65	3.014	0.776	1	662.6	0.582	18.21	0.433
Lira	0.457	0.768	1.340	105.1	4.549	1.171	1.509	1000.	0.878	27.49	0.653
C$	0.520	0.875	1.527	119.8	5.183	1.335	1.720	1139	1	31.32	0.744
B Fr.	1.661	2.792	4.875	382.4	16.55	4.261	5.490	3638	3.193	100.	2.375
ECU	0.699	1.176	2.052	161.0	6.966	1.794	2.311	1531	1.344	42.10	1

Yen per 1,000: French Fr. per 10: Lira per 1,000: Belgian Fr. per 100.

FINANCIAL FUTURES AND OPTIONS

LIFFE LONG GILT FUTURES OPTIONS; LIFFE US TREASURY BOND FUTURES OPTIONS; LIFFE BUND FUTURES OPTIONS; LIFFE EURODMARK OPTIONS; LIFFE EURODOLLAR OPTIONS; LIFFE SHORT STERLING OPTIONS; LONDON (LIFFE); CHICAGO; PARIS; POUND - DOLLAR

[illegible]

MONEY MARKETS

Very large shortage

INTEREST RATES were little changed in calm London trading yesterday, despite an extremely large shortage of day-to-day credit.

Three-month sterling interbank was unchanged at 10⅞-10¾ per cent, while 12-month money was quoted at 10⅝-10{9/16}, compared with 10{11/16}-10{9/16} per cent.

Short sterling futures moved in a very narrow range on Liffe, waiting for economic news. September delivery closed unchanged at 89.33 and the December contract was also unchanged at 89.85.

The Bank of England initially forecast a credit shortage of £1,900m on the money market, but revised this to £1,750m at noon, and to £1,800m in the afternoon. Total assistance of £1,724m was provided.

An early round of help was offered and at that time the authorities bought £382m bills for resale to the market in equal amounts on September 2 and 4 at an interest rate of 10{25/32} *per cent*.

In further operations before lunch the Bank of England bought £448m bills, including outright purchases of £12m Treasury bills in band 1 at 10⅞ per cent and £16m bank bills in band 1 at 10⅞ per cent. Another £420m bills were purchased for resale to the market in equal amounts on September 2 and 4 at a rate of 10{25/32} per cent.

In the afternoon £654m bills were bought outright, by way of £171m Treasury bills in band 1 at 10⅞ per cent and £483m bank bills in band 1 at 10⅞ per cent. Late assistance of around £240m was also provided.

Bills maturing in official hands, repayment of late assistance and a take-up of Treasury bills drained £1,133m, with the unwinding of bill repurchase agreements absorbing £559m; exchequer transactions £100m; and bank balances below target £110m.

In Frankfurt call money fell to 8.875 from 9.15 per cent as banks adjusted reserve holdings towards the end of the month. The Bundesbank added extra liquidity into the market on Wednesday, but most of this was probably withdrawn yesterday. There was *no change in credit* policies at yesterday's Bundesbank council meeting. The discount rate remains at 7.50 per cent and the Lombard emergency financing rate at 9.25 per cent.

In Amsterdam the Dutch Central Bank left its special advances rate unchanged at 9.00 per cent at a tender for four-day liquidity.

UK clearing bank base lending rate
11 per cent
from July 12, 1991

FT LONDON INTERBANK FIXING

(11.00 a.m. Aug 29) 3 months US dollars		6 months US Dollars	
bid 5⅝	offer 5¾	bid 5⅝	offer 5¾

The fixing rates are the arithmetic means rounded to the nearest one-sixteenth, of the bid and offered rates for $10m quoted to the market by five reference banks at 11.00 a.m. each working day. The banks are National Westminster Bank, Bank of Tokyo, Deutsche Bank, Banque Nationale de Paris and Morgan Guaranty Trust.

MONEY RATES

NEW YORK — Treasury Bills and Bonds

[illegible]

LONDON MONEY RATES

[illegible]

BASE LENDING RATES

	%		%		%
Adam & Company	11	Co-operative Bank	11	McDonnell Douglas Bank	11
Allied Trust Bank	11	Coutts & Co	11	Midland Bank	11
AIB Bank	11	Cyprus Popular Bk	11	Mount Banking	11
● Henry Ansbacher	11	Duncan Lawrie	11	NatWestminster	11
B & C Merchant Bank	11	Equatorial Bank plc	11	Northern Bank Ltd	11
Bank of Baroda	11	Exeter Bank Limited	11	Nykredit Mortgage Bank	11
Banco Bilbao Vizcaya	11	Financial & Gen. Bank	11	Provincial Bank PLC	11
Bank of Cyprus	11	First National Bank Plc	11	Roxburghe Guarantee	11
Bank of India	11	● Robert Fleming & Co	11	Royal Bk of Scotland	11
Bank of Scotland	11	Robert Fraser & Ptns	11	● Smith & Williamson Secs	11
Banque Belge Ltd	11	Girobank	11	Standard Chartered	11
Barclays Bank	11	● Guinness Mahon	11	TSB	11
Benchmark Bank	11	● Hambros Bank	11	Unibank plc	11
Brit Bk of Mid East	11	Hampshire Trust Plc	13.5	● United Bk of Kuwait	11
● Brown Shipley	11	Heritable & Gen Inv Bnk	11	Unity Trust Bank Plc	11
CL Bank Nederland	11	● Hill Samuel	11	Western Trust	11
Citibank NA	11	C. Hoare & Co.	11	Westpac Bank Corp.	11
City Merchants Bank	11	Hongkong & Shanghai	11	Whiteaway Laidlaw	11
Clydesdale Bank	11	● Leopold Joseph & Sons	11	Yorkshire Bank	11
Comm.Bk.of London Plc	11	Lloyds Bank	11		
		Meghraj Bank Ltd	11		

● Members of British Merchant Banking & Securities Houses Association.

MONEY MARKET FUNDS

Money Market Trust Funds

[illegible]

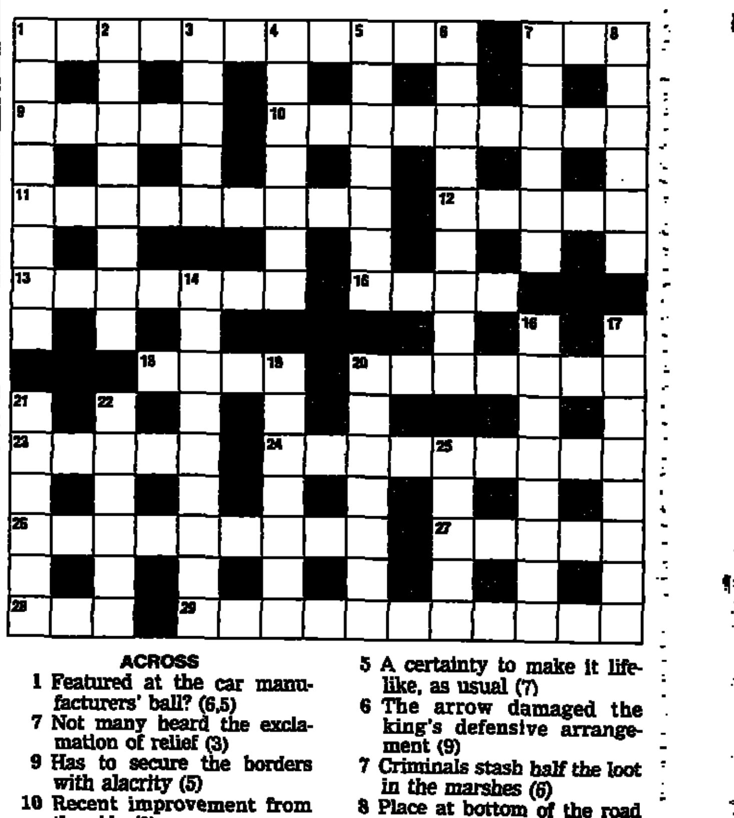
Money Market Bank Accounts

[illegible]

JOTTER PAD

CROSSWORD

No.7,633 Set by HIGHLANDER



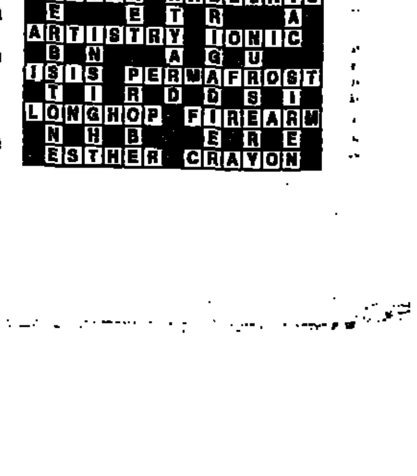
ACROSS

1 Featured at the car manufacturers' ball? (6,5)
7 Not many heard the exclamation of relief (3)
9 Has to secure the borders with alacrity (5)
10 Recent improvement from the side (9)
11 Having drunk lager first, always has control of car (4,5)
12 Rejected girl with head of hair to dye (5)
13 Mad, clean round the bend, runs with explosive energy (7)
15 Spoils sound of old instrument (4)
18 Calling for a boundary (4)
20 In some parts tea-cake is permitted with fish (7)
23 A light at sea at three o'clock (5)
24 Select cap for an unusual parade (9)
26 Plant accommodation houses Italians mostly (9)
27 Shrub (anag.) (5)
28 Staff make love in the street (3)
29 Misguided pair consort with one of the plotters (11)

DOWN

1 Wood: one needs a lot to pen a pig (8)
2 Systematic investigation reaches resort on river (8)
3 Inside one can hide a letter – it's perfect (5)
4 Let loose two notes on the organ (7)
5 A certainty to make it lifelike, as usual (7)
6 The arrow damaged the king's defensive arrangement (9)
7 Criminals stash half the loot in the marshes (6)
8 Place at bottom of the road for an ambush (6)
14 Mysterious cocktail of gin came with it (9)
16 Need a match to go outside: there's a power failure (9)
17 A standard headline makes the way smoother (8)
19 A classic character undone by one slip (7)
20 Exercise papers taken at university (5-2)
21 Glimpse bird landing place in Canada (6)
22 Ran with inferior members (6)
25 Prove wrong about root (5)

Solution to Puzzle No.7,632



WORLD STOCK MARKETS

CANADA

TORONTO

3:00 pm prices August 29

Total Sales 7,733,100 shares

MONTREAL

3:15 pm prices August 29

INDICES

NEW YORK DOW JONES	Aug 28	Aug 27	Aug 26	Aug 23	1991 HIGH	1991 LOW	Since compilation HIGH	Since compilation LOW
♦Industrials	3055.23	3026.16	3039.36	3040.25	3055.23 (28/8)	2470.30 (9/1)	3055.23 (28/8/91)	41.22 (2/7/32)
Home Bonds	96.11	96.08	96.04	95.89	96.11 (28/8)	91.30 (16/1)	96.11 (28/8/91)	54.99 (1/10/81)
Transport	1212.45	1202.40	1212.27	1215.44	1241.89 (3/6)	894.30 (7/1)	1532.01 (5/9/89)	12.32 (8/7/32)
Utilities	208.56	206.56	206.31	206.00	220.89 (16/4)	195.17 (10/7)	236.23 (2/1/90)	10.50 (8/4/32)

♦Day's High 3064.85 (3047.41) Low 3018.11 (3007.83)

STANDARD AND POOR'S	Aug 28	Aug 27	Aug 26	Aug 23	1991 HIGH	1991 LOW	Since compilation HIGH	Since compilation LOW
Composite †	396.64	393.06	393.85	394.17	396.64 (28/8)	311.49 (9/1)	396.64 (28/8/91)	4.40 (1/6/32)
Industrials	471.86	467.59	468.45	468.89	471.86 (28/8)	364.90 (9/1)	471.86 (28/8/91)	3.62 (21/6/32)
Financial	32.01	31.73	31.90	31.92	32.24 (14/8)	21.96 (9/1)	35.24 (9/10/89)	8.64 (1/10/74)
NYSE Composite	217.17	215.26	215.61	215.75	217.17 (28/8)	170.97 (9/1)	217.17 (28/8/91)	4.46 (25/4/42)
Amex Mkt. Value	370.62	369.62	369.72	369.35	373.40 (18/4)	296.72 (14/1)	397.03 (10/10/89)	29.31 (9/12/72)
NASDAQ Composite	526.29	521.75	521.38	521.06	526.29 (28/8)	355.75 (14/1)	526.29 (28/8/91)	54.87 (31/10/72)

	Aug 23	Aug 16	Aug 9	year ago (approx.)
Dow Industrial Div. Yield	3.01	3.08	3.18	4.29
	Aug 21	**Aug 14**	**Aug 7**	**year ago (approx.)**
S & P Industrial div. yield	2.69	2.70	2.68	3.11
S & P Indl. P/E ratio	21.35	21.31	19.62	16.07

NEW YORK ACTIVE STOCKS

Wednesday	Stocks traded	Closing price	Change on day
Telefonos	2,669,000	37½	+ ¼
Unisys Corp	2,630,500	5½	+ ⅜
Limited Inc	2,029,000	28½	+ ⅝
Philip Morris	1,932,900	74⅛	+ ⅞
USX Marathon	1,796,200	31⅞	+ 1⅛
RJR Nabisco	1,764,300	12¼	----
Texas Utilities	1,613,700	37½	+ ¼
IBM	1,611,600	94½	- ¼
Amer T & T	1,575,000	38⅝	- ⅛
Contl Bank Corp	1,566,500	13½	- ⅜

TRADING ACTIVITY

† Volume (Millions)	Aug 28	Aug 27	Aug 26
New York SE	169.590	143.920	128.400
Amex	16.746	14.044	10.084
NASDAQ	165.659	139.672	112.278
NYSE			
Issues Traded	2,083	2,091	2,089
Rises	1,058	689	745
Falls	509	869	818
Unchanged	516	533	526
New Highs	133	79	94
New Lows	4	7	8

CANADA TORONTO	Aug 28	Aug 27	Aug 26	Aug 23	1991 HIGH	1991 LOW
Metals & Minerals	3116.42	3111.10	3127.48	3121.18	3299.99 (18/7)	2632.06 (9/1)
Composite	3521.30	3517.26	3532.00	3532.10	3582.07 (7/6)	3161.95 (15/1)
MONTREAL Portfolio	1868.96	1871.68	1882.92	1882.92	1903.86 (7/6)	1686.89 (9/1)

Base values of all indices are 100 except NYSE All Common—50; Standard and Poor's—10; and Montreal Portfolio 4/1/83. Toronto indices based 1975 and Montreal Portfolio 4/1/83. Toronto Composite and Metals—1000. Toronto indices based 1975 and Montreal Portfolio 4/1/83. † Excluding bonds. ‡ Industrial, plus Utilities, Financial and Transportation. (c) Closed. (u) Unavailable.

	Aug 29	Aug 28	Aug 27	Aug 26	1991 HIGH	1991 LOW
AUSTRALIA						
All Ordinaries (1/1/80)	1540.4	1541.2	1540.1	1533.1	1591.3 (7/8)	1204.5 (16/1)
All Mining (1/1/80)	669.3	669.2	667.1	663.8	707.2 (24/7)	561.6 (16/1)
AUSTRIA						
Credit Aktien (30/12/84)	466.96	462.77	464.91	470.40	534.81 (16/4)	390.84 (15/1)
BELGIUM						
BEL20 (1/1/91)	1121.56	1120.40	1123.96	1121.86	1212.15 (17/4)	917.59 (17/1)
DENMARK						
Copenhagen SE (3/1/83)	373.22	374.42	375.97	376.32	380.04 (2/8)	302.26 (8/1)
FINLAND						
HEX General (28/12/90)	974.0	974.6	976.1	972.9	1186.9 (8/4)	890.5 (23/1)
FRANCE						
CAC General (31/12/82)	487.78	483.71	483.94	480.77	494.95 (12/6)	394.88 (15/1)
CAC 40 (31/12/87)	1857.74	1851.83	1849.67	1853.38	1874.81 (11/6)	1425.26 (15/1)
GERMANY						
FAZ Aktien (31/12/58)	688.99	685.70	685.43	688.21	717.43 (17/6)	570.48 (15/1)
Commerzbank (1/12/53)	1937.0	1927.4	1925.4	1934.9	2035.2 (31/5)	1612.5 (15/1)
DAX (30/12/87)	1665.50	1647.50	1647.12	1654.19	1715.80 (11/6)	1311.82 (16/1)
HONG KONG						
Hang Seng Bank (31/7/64)	3960.23	3968.14	3981.96	(c)	4079.01 (14/8)	2984.01 (16/1)
IRELAND						
ISEQ Overall (4/1/88)	1494.71	1444.63	1492.07	1447.25	1520.65 (15/3)	1114.86 (25/1)
ITALY						
Banca Comm. Ital. (1972)	552.70	548.62	550.95	549.62	619.38 (3/6)	486.26 (29/1)
JAPAN						
Nikkei (16/5/49)	22002.17	21621.63	21641.30	21592.27	27146.91 (18/3)	21456.76 (19/8)
Tokyo SE (Topix) (4/1/68)	1706.60	1682.94	1691.29	1694.70	2028.85 (18/3)	1625.00 (17/1)
2nd Section (4/1/68)	2758.93	2757.48	2771.38	2805.51	3423.45 (18/5)	2473.52 (24/1)
MALAYSIA						
KLSE Composite (4/4/86)	545.80	535.38	538.60	541.74	635.02 (29/5)	470.41 (16/1)
NETHERLANDS						
CBS Ttl Rtn Gen (End 1983)	279.0	278.5	278.7	280.0	284.8 (5/6)	221.4 (16/1)
CBS All Shr (End 1983)	198.4	198.0	198.2	199.4	203.1 (5/6)	162.3 (16/1)
NORWAY						
Oslo SE (Ind) (2/1/83)	790.49	788.05	790.88	793.53	793.53 (26/8)	610.45 (21/1)
PHILIPPINES						
Manila Comp (2/1/85)	1024.68	1025.99	1005.23	998.47	1183.40 (29/5)	582.64 (10/1)
SINGAPORE						
SES All-Singapore (2/4/75)	380.59	376.22	374.92	375.93	422.43 (26/4)	315.07 (16/1)
SOUTH AFRICA						
JSE Gold (28/9/78)	1110.0	1127.0	1108.0	1122.0	1469.0 (5/7)	971.0 (25/2)
JSE Industrial (28/9/78)	4127.0	4119.0	4097.0	4083.0	4167.0 (14/8)	2829.0 (16/1)
SOUTH KOREA**						
Korea Comp Ex. (4/1/80)	685.44	692.28	690.34	701.08	763.10 (6/8)	590.57 (22/6)
SPAIN						
Madrid SE (30/12/85)	272.37	271.90	272.74	273.66	289.22 (18/3)	213.70 (14/1)
SWEDEN						
Affarsvariden Gen. (1/2/37)	1092.20	1083.50	1081.2	1088.8	1149.8 (11/7)	808.4 (8/1)
SWITZERLAND						
Swiss Bank Ind. (31/12/58)	769.2	761.8	757.2	761.7	769.2 (29/8)	590.4 (14/1)
SBC General (1/4/87)	632.6	627.8	625.1	628.3	638.0 (31/5)	487.1 (14/1)
TAIWAN**						
Weighted Price (30/6/66)	4358.95	4352.92	4411.60	4516.52	6305.22 (9/5)	3316.26 (15/1)
THAILAND						
Bangkok SET (30/4/75)	693.21	684.77	683.35	677.68	908.13 (19/4)	582.48 (16/1)
WORLD						
M.S. Capital Intl.(1/1/70) (S)	502.1*	499.2	497.0	496.7	529.2 (17/4)	439.1 (16/1)

**Saturday August 24: Taiwan Weighted Price: 4426.14 Korea Comp Ex. 697.74. *Calculated at 15.00 GMT.

& Subject to official recalculation.
Base values of all indices are 100 except: BEL20, HEX General, ISEQ Overall and DAX – 1,000, JSE Gold – 255.7, JSE 26 Industrials – 264.3 and Australia All Ordinary and Mining – 500; (c) Closed. (u) Unavailable.

TOKYO - Most Active Stocks

Thursday, 29 August, 1991

	Stocks Traded	Closing Prices	Change on day
Osaka Gas	7.0m	538	+20
Mitsui Shipbldg	6.8m	557	+34
Showa Shell	6.0m	1,050	+60
Cosmo Oil	5.5m	783	+21
Nippon Carbon	4.7m	1,230	+40
Kurabo Ind.	4.7m	790	+81
Mitsubishi Mat.	4.2m	585	+14
Hitachi Zosen	4.2m	616	+23
Nippon Steel	3.3m	398	+8
NKK	3.3m	350	+10

3:15 pm prices August 29

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

1991 High	1991 Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
[illegible]	9¼	AAR Corp	0.48	0.03	17	498	16¼	15⅝	15¾	+⅛
18¾	14½	[illegible]	0.16	0.01	17	601	15⅞	15¼	15⅞	+⅛
[illegible]	[illegible]	AMP Inc	1.44	0.03	20	2063	54⅝	53¾	53¾	-⅛
68½	44¼	AMR			11	1930	59⅞	59½	59⅝	-¼
2⅞	1¼	ARX			1	5	1⅛	1⅛	1⅛	
56	41½	ASA	3.50	0.08	13	708	45⅞	44½	44⅝	-1
55⅞	39¼	Abbott Lab	1.00	0.02	23	2783	55	54⅞	54¾	-⅛
14⅞	9⅞	Abitibi Pr	0.50	0.03	26	12	14½	14⅜	14⅜	-⅛
11⅞	10⅝	ACM Gvt In	1.26	0.11		307	11¼	11⅛	11¼	+⅛
9¾	8⅞	ACM GvOpp	1.01	0.11		21	9½	9⅜	9½	
9¼	8¾	[illegible]	1.01	0.11		322	u9⅝	9½	9⅜	-⅛
11	9⅞	ACM Gvt Se	1.26	0.12		619	10⅝	10½	10⅝	
[illegible]	7⅞	ACM Man	1.01	0.12		283	8½	8⅜	8⅜	
12⅞	11½	ACM Managd	1.37	0.11		146	12¼	12⅛	12¼	+⅛
7½	4½	Acme Clevo	0.40	0.06	17	21	6½	6½	6½	
6	3⅛	Acme Elect			2	254	4⅝	4¼	4⅝	+⅛
40	22¼	Acuson			22	1218	33½	32¾	33	-½
18¾	14¼	Adams Expr	0.73	0.04	0	33	u18¾	18⅝	18¾	
20½	17½	Adobe12Pt	2.40	0.13		132	18	17¾	18	+¼
9¼	4⅝	Adobe Res			47	74	7⅛	7	7⅛	
38⅞	18	Ad Micro				30	36⅞	36⅝	36¾	-¼
14¾	4⅝	Ad Micro P	3.00	0.25	19	6230	12¼	12⅛	12⅛	
5⅛	2¼	Advest Grp	0.16	0.04	5	78	3¾	3½	3⅝	
49½	33⅞	Aetna Li	2.76	0.08	7	1835	35⅛	34¾	34⅞	+⅛
10⅝	6⅝	Affil A	0.24	0.03	50	1052	9	8⅞	9	+⅛
20⅞	12	Ahmanson	0.88	0.05	11	977	19⅛	18⅞	18⅞	-¼
[illegible]	2⅞	Aileen Inc			16	84	12½	12¼	12⅜	
74½	51½	Air Pr Chm	1.56	0.02	15	382	69	68¾	68⅞	

[illegible]

- B -

[illegible]

- C -

[illegible]

- D -

[illegible]

- E -

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NYSE COMPOSITE PRICES

Continued from previous page

1991 High	1991 Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close	Ch'ge Prev. Close
60¼	36¼	Xerox	3.00	0	05	101217	59	58⅞	58	
51½	43¼	Xerox4.125				73	u51½	51⅜	51½	
21⅞	14⅛	Xtra 1.94				114	21¼	21¼	21¼	+¼
24⅞	14¼	Xtra Corp	0.72	0.03	78	51	23⅞	23⅞	23⅝	+⅛
24⅛	21¼	Yankee Egy x	1.80	0.07	11	54	24	23½	24	−⅛
1½	¼	Zapata			3	119	⅞	½	⅞	
9⅝	5½	ZenithElec			1	342	5⅞	5¼	5¼	
18½	12	Zenith Nat	1.00	0.06	97	5	16⅝	16⅝	16⅝	
6¼	4½	Zenix Inc x	0.84	0.14		31	6	5⅞	6	+⅛
15⅛	10⅞	Zero Corp	0.40	0.03	17	60	15	14⅞	14⅞	−⅛
41⅛	29½	Zurn Ind	0.88	0.02	15	481	38	37⅞	37⅞	−¼
13½	10¼	Zweig Fund	1.12	0.09		339	12½	12¼	12¼	−¼
10	8½	Zweig Totl	0.96	0.09		1947	u10⅛	9⅞	10⅛	+¼

Price data supplied by Telekurs.

Sales figures are unofficial. Yearly highs and lows reflect the previous 52 weeks plus the current week, but not the latest trading day. Where a split or stock dividend amounting to 25 percent or more has been paid, the year's high-only range and dividend are shown for the new stock only. Unless otherwise noted, rates of dividend are annual disbursements based on the latest declaration.

a-dividend also xtra(s). b-annual rate of dividend plus stock dividend. c-liquidating dividend. cld-called. d-new yearly low. e-dividend declared or paid in preceding 12 months. g-dividend in Canadian funds, subject to 15% non-residence tax. i-dividend declared after split-up or stock dividend. j-dividend paid this year, omitted, deferred, or no action taken at latest dividend meeting. k-dividend declared or paid this year, an accumulative issue with dividends in arrears. n-new issue in the past 52 weeks. The high-low range begins with the start of trading. nd-next day delivery. P/E price-earnings ratio r-dividend declared or paid in preceding 12 months, plus stock dividend. s-stock split. Dividends begin with date of split. sls-sales. t-dividend paid in stock in preceding 12 months, estimated cash value on ex-dividend or ex-distribution date. u-new yearly high. v-trading halted. vi-in bankruptcy or receivership or being reorganised under the Bankruptcy Act, or securities assumed by such companies. wd-distributed. wi-when issued. ww-with warrants. x-ex-dividend or ex-rights. xdis-ex-distribution. xw-without warrants. y-ex-dividend and sales in full. yld-yield. z-sales in full.

AMEX COMPOSITE PRICES

3:00 pm prices August 29

NASDAQ NATIONAL MARKET

3.15 pm prices August 29

FINANCIAL TIMES Friday August 30 1991

AMERICA

Equities anchored after recent show of strength

Wall Street

A LACK of buyers, an early bout of profit-taking and program selling left share prices anchored at opening levels yesterday morning, *writes Patrick Harverson in New York.*

By 1 pm the Dow Jones Industrial Average was down 6.71 at 3,048.52. The more broadly-based Standard & Poor's 500 was also little changed at midsession, easing 0.41 to 396.23 by 1 pm, while the Nasdaq composite of over-the-counter stocks was up 0.55 at 526.84. Turnover on the NYSE was a modest 96m shares by 1 pm. Declines outnumbered rises by 747 to 663.

Prices weakened at the start after some investors decided to take profits earned in recent days. There was more bearish news about the economy, with weak home sales and personal income offsetting a slight rise in personal spending. On balance, the data increased the likelihood of a cut in interest rates by the Federal Reserve but neither this, nor a strong rise in bond prices, was enough to stimulate buying.

Among individual issues, USX-Marathon firmed $⅞ to $32¾ on turnover of 2.3m shares after several analysts made positive comments on the stock in the wake of Wednesday's announcement by Elf Aquitaine of France that it had made an oil discovery in a North Sea field in which the US group has a stake.

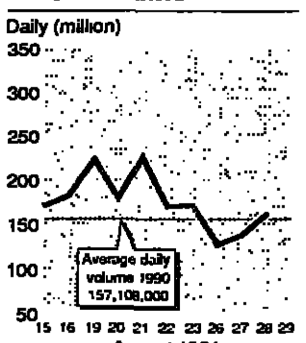
City National dropped $2 to $12½ after the banking group said that it expected to report a third quarter net loss due to a $30m provision for loan losses. Other banking stocks were generally higher on hopes for lower interest rates, with Manufacturers Hanover up $½ at $29¾, BankAmerica up $⅜ at $44, Bankers Trust up $⅜ at $59⅛ and Chemical Bank up $½ at $26⅝.

Duke Power slipped $1 to $29¾ on the news that the North Carolina Public Utilities Commission staff had recommended a power rate increase far below that requested by the company.

On the over-the-counter market, In Focus Systems fell $1⅝ to $11⅝ after an analyst at Hambrecht & Quist lowered his estimate for the company's earnings in the fiscal years 1991 and 1992, citing continued softness in the company's core business of providing colour liquid crystal display projection panels for personal computers, and a delay in generating strong revenue from an agreement with Compaq Computer.

Pharmchem Laboratories slipped $1¾ to $8¾ in response to a statement from the company that its bid for an important contract with the US postal service had failed.

NYSE volume



Canada

TORONTO midday stocks were slightly lower. The TSE-300 composite index eased 3.67 to 3,517.61, pulled lower by a fall in the metals and minerals index. Volume stood at 13.09m shares compared to 8m at midday on Wednesday. Inco was off C$⅛ at C$39⅞, while Alcan was steady at C$24. American Barrick fell C$¼ to C$25¼.

Foreigners drive Argentina to record high

Optimism about the economy has attracted funds from abroad, says **John Barham**

ARGENTINA has seen some phenomenal stock market runs in its time, notably from May to September 1989, but its current record-breaking rally is remarkable for the influx of foreign funds on optimism about the country's economy.

Daily turnover rocketed from $7.9m on August 1 to hit a record $116m last Friday, making Buenos Aires the busiest stock market in Latin America. Share prices, measured by the exchange's Merval index, rose 110.9 per cent to hit a record 5.99m last Thursday from 2.84m at the start of the month.

Share prices and turnover cooled off rapidly at the start of the week, with the Merval tumbling to 4.84m by Tuesday, while turnover slumped to $44.8m. But they quickly rebounded the next day, with the index jumping 13.84 per cent to 5.51m and turnover recovering to $51.4m.

Mr Franklin G. Williams, manager of FIMA, Argentina's largest unit trust, points out: "This is now a new market, completely different from the old one."

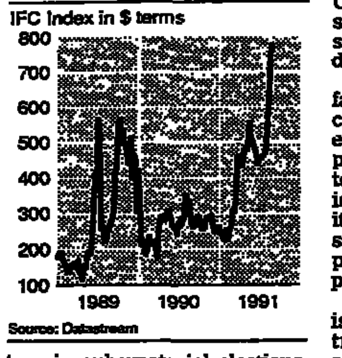
Unusually, overseas funds have been powering the market, instead of the traditional domestic, speculative buying, as foreigners build up positions in equities. Argentina, which has been a heavy exporter of capital in the past, is now in the unaccustomed position of attracting long-term capital from abroad.

Foreigners have apparently concluded that Argentina's economic reforms have reached a turning point, and that equities will yield big profits over the long term. Analysts compare Argentina with Chile and Mexico, whose equity markets surged in response to economic reform.

Mr Domingo Cavallo, the economy minister, has brought inflation down to single figures and hopes to reach a final settlement next year with Argentina's creditors to reduce the $61bn external debt. The economy is recovering and the government expects growth of 5 per cent this year.

Other factors, like the International Monetary Fund's approval at the end of July of a $1.04bn stand-by loan for Argentina, and the prospect of a resounding government victory in gubernatorial elections on September 8 helped fuel the market's rise.

Argentina



Source: Datastream

Mr Christopher Ecclestone, director of Ecclestone, Hickey, Wilson, a Buenos Aires equity research house, says: "This country has changed so much in the last two weeks that it has become hard to interpret the market. A whole lot of things clicked at the same time."

For the time being, negative real interest rates and a limited range of investment opportunities have made equities a natural choice for investors. One of their main limitations seem to be a severe shortage of stock in the face of heavy demand.

Even if the market were to fall back in the short term, the consensus is that Argentine equities show strong growth prospects over the coming four to five years. The government is committed to maintaining its free market reforms. Wholesale privatisation of nearly all public companies is a centrepiece of its policies.

The government also promises to reduce heavy share transaction costs, which exceed 20 per cent in some cases, and eventually abolish fixed commissions.

Mr Martin Redrado, president of the National Securities Commission, the market watchdog, wants to encourage companies to return to the market by speeding up listing procedures.

The surge in Argentine equities coincides with growing interest in Latin America. Events in the Soviet Union and Yugoslavia have added to Latin America's allure, and Argentina was one of the few markets to rise during the abortive Soviet coup.

New emerging market funds launched to invest in the region are oversubscribed; and several foreign banks have paid up to $600,000 for a seat on the Buenos Aires exchange, far more than they would have to pay in London or New York.

Investors should be prepared for a rough ride. Argentina's economy, its political system and the stock market are volatile even by Latin American standards: equities dropped by 65 per cent in dollar terms between end-September 1989 and end-January 1990. Although Mr Cavallo has made rapid progress, smooth growth is far from assured.

But the growing foreign presence in the Argentine market can only be beneficial. By one estimate, foreign investors already hold 15 per cent of Argentine equities. Not only are they bringing greater stability and professionalism to a highly speculative market, but they are sweeping away its clubby and corrupt atmosphere.

ASIA PACIFIC

Nikkei responds to US and domestic bond gains

Tokyo

SHARE PRICES closed substantially higher yesterday on increased bond prices and an overnight rise on Wall Street to record levels, *writes Emiko Terazono in Tokyo.*

The index closed up 380.54 or 1.8 per cent at 22,002.17. The index opened at the day's low of 21,708.02 and hit the day's high of 22,057.43 in the afternoon as news of the failure of a condominium dealer fanned hopes of lower interest rates.

Volume fell to 220m shares from 250m, but traders detected buying by institutional investors and foreigners. Gainers led losers by 730 to 187 with 151 issues remaining unchanged. The Topix index of all first section shares rose 23.66 to 1,706.60, and in London the ISE/Nikkei 50 index rose 10.21 to 1,312.60.

Reports that Maruko, a Tokyo-based condominium distributor, had filed for protection under the bankruptcy law for outstanding debts of Y285.8bn failed to dampen sentiment, as the bond market rallied on hopes of lower interest rates. Market participants reasoned that a rise in bankruptcies would persuade the Bank of Japan to lower the official discount rate.

The yield on the 129 10-year benchmark finished down 0.085 percentage points at 6.365 per cent and the Nikkei futures closed up 320 at 22,250.

Testimony by former brokerage executives at the lower house special finance committee did not affect the market, as most investors and traders saw it as purely symbolic. Mr Setsuya Tabuchi, former chairman of Nomura Securities, gave his testimony in the morning and Mr Takuya Iwasaki, former president of Nikko Securities, appeared before the committee in the afternoon. Previously, share prices had been depressed by the prospect that the testimonies would reveal more scandals.

All 36 sectors gained. Osaka Gas, the most active issue of the day, rose Y20 to Y538. Institutional investors were also seen buying large-capital issues, but Mr Masami Okuma at UBS Phillips & Drew said that it was only short-term trading.

Showa Shell Sekiyu, the oil refiner, rose Y60 to a record high of Y1,950. The company has forecast a sharp rise in pre-tax profits. Buying spread to other stocks in the sector, with Cosmo Oil gaining Y21 to Y733.

Some housing issues were weaker, affected by the failure of Maruko. Misawa Homes fell Y60 to Y1,510.

In Osaka, the OSE average rose 260.68 to 23,552.39 on volume of 24.5m shares. Rohm, the linear integrated circuit maker, gained Y60 to Y2,530 on light buying. Investors were encouraged by the company's upward revision of earnings. Pre-tax profits are now expected to rise 35 per cent to Y11bn for the current year.

Roundup

THE REGION made a relatively tepid response to the gains in Tokyo and overnight in New York.

HONG KONG ended narrowly mixed as cautious sentiment erased moderate morning gains. The Hang Seng index fell 7.91 to 3,960.23 while turnover improved to HK$1.41bn from HK$1.31bn. Contributing to the downturn were rumours that the Jardine Matheson group planned to switch its primary listing to London, and delist from the local bourse as early as mid-September. Jardine Matheson Holdings tumbled HK$1.25 to HK$30.50.

HSBC Holdings, the holding company for Hongkong Bank, added 75 cents to HK$31.25 and topped the most active list in the wake of its positive results this week.

SINGAPORE finished higher in thin trading. The Straits Times Industrial index closed up 17.26 at 1,407.46 in steady turnover of S$85.6m after S$58.88m.

KUALA LUMPUR rebounded after four days of losses, supported by gains in the US and Japan. The composite index rose 10.42 or 1.9 per cent to 545.80 in turnover of M$95.3m after M$53.1m.

Genting and its listed subsidiary, Resorts World, rose after reporting interim results which exceeded most expectations. Genting climbed 30 cents to M$10.20 while Resorts World jumped 45 cents to M$9.40.

SEOUL fell on concerns about the growing current account deficit. The composite index closed at 685.44, down 6.84 in volume of Won147.3bn after Won205bn. The country's current account deficit reached $7bn during the first seven months of the year and analysts expect the deficit for the entire year to be about $5.5bn, up from earlier forecasts of about $2.5bn.

AUSTRALIA blamed disappointing company results as the All Ordinaries index fell 0.7 to 1,540.5, although a 14 per cent rise in profits at Lend Lease, the property and financial services group, took the shares up 5 cents to A$16.35.

Turnover rose from A$164m to A$233m. TNT, the transport group, postponed its results until today as it sold 42.9m Normandy Poseidon shares through JB Were at A$1.20 a share.

NEW ZEALAND retreated a little as the NZSE-40 index closed 3.37 lower at 1,414.11; MANILA finished mixed, the composite falling 1.31 to 1,024.68 after six consecutive gains, and TAIWAN broke a seven-session losing streak as the weighted index inched up 6.03 to 4358.95.

BOMBAY was closed to enable brokers to complete pending settlement work.

EUROPE

Sentiment varies as senior bourses improve

WITH PARIS confident, Frankfurt holding its own in thin volume and Milan still dealing with its latest scandal, senior bourses presented a varied picture as they rose gently in line yesterday, *writes Our Markets Staff.*

PARIS rose to its highest level since June after surprisingly good second quarter GDP data. The CAC 40 index closed 5.91 higher at 1,857.74, its highest close since June 14 when it ended at 1,858.17; a slightly easier start on Wall Street brought the index off the day's high of 1,867.63. Volume was estimated at a heavy FFr3bn after FFr2.3bn.

Mr David Harrington of James Capel in Paris said that while the export-led 0.8 per cent rise in GDP was encouraging, the market needed a cut in interest rates and some good corporate results and trading statements to lift the CAC 40 index decisively above the year's high of 1,874.81 reached on June 11.

Michelin continued to power ahead, closing at a new 1991 high of FFr126, up FFr1.20, increasing the likelihood of an early rights issue.

Among blue-chips sought by foreign and domestic buyers, Alcatel Alsthom rose FFr12 to FFr593 with a heavy 462,910 shares traded. Among more speculative issues, the department store chain Printemps came off a day's high of FFr905 to close FFr4 lower at FFr878 with in decent volume of 62,925 shares. The stock has been sought this week on renewed talk that the Maus family would have to sell its stake in the company.

FRANKFURT concentrated on company news, although Volkswagen's rise of DM5.30 to DM387.30 on a 1 per cent rise in first half profits still reflected VW's east European aspirations. In contrast, Daimler rose by a more average DM4.50 to DM759.50 on its forecast of flat profits for 1991 as a whole.

FT-SE Eurotrack 100 - Aug 29

Hourly changes

Open	10 am	11 am	Noon	1 pm	2 pm	3 pm	Close
1126.04	1125.73	1126.53	1126.27	1125.97	1126.72	1126.32	1124.82

Day's High 1127.24 Day's Low 1124.40

Aug 28	Aug 27	Aug 23	Aug 22	Aug 21
1121.03	1118.91	1112.34	1108.61	1100.53

Base value 1000 (26/10/90)

In chemicals, Hoechst took the wooden spoon with a profits drop of 22 per cent, and the shares fell DM2.10 to DM244.40 while BASF, with profits 10.6 per cent lower, rose DM3.80 to DM247.30.

The initial reaction to yesterday's results was more enthusiastic, but demand for stocks dried up and the DAX index ended a token 8.00 higher at 1,655.50 after a 3.29 rise to 688.99 for the FAZ at midsession. Frankfurt turnover fell again, from DM2bn to DM1.7bn, after a rise in German stock market turnover from DM3.2bn to DM3.3bn on Wednesday.

MILAN continued to focus on second-line stocks. The Comit index added 4.08 to 552.70 in turnover thought to be higher than Wednesday's paltry L42bn.

After the close, the bourse watchdog, Consob, confirmed that today's settlement of the August trading month had been postponed until further notice following the failure of two brokers and one commission house as a result of a big stock fraud.

The cement manufacturer Cementir continued to rise on privatisation prospects, adding L154 or 5.9 per cent to L2,765. The stock has risen by 32.9 per cent this week, following its five-week suspension.

AMSTERDAM's CBS Tendency index closed at 91.4, up 0.1 on the day. Publishing featured as all three majors reported interim results. Elsevier was amongst the most active stocks, closing Fl 1.20 higher at Fl 85.60 on a 9.6 per cent rise in first-half net. Wolters-Kluwer rose 90 cents to Fl 56.30 while VNU ended at Fl 72.80, up Fl 2.10 after reporting a smaller-than-expected drop in its interim net.

ZURICH saw active trading in chemicals and insurers, boosted by talk of higher than expected Roche earnings and rumours of new insurance share options.

The Crédit Suisse index closed up 4.2 at 539.1. Schindler certificates fell SFr55 to SFr860 after the lift maker forecast a 35 per cent fall in group profits this year.

STOCKHOLM was firmer in active trading. The Affärsvärlden general index gained 3.4 to 1,092.2 in high turnover of SKr459m after SKr399m.

AGA free B's closed SKr12 higher at SKr333 with a relatively heavy 25,000 shares traded. But dealers said there were no reasons for the rise.

Astra continued to rise after its good interim results, the free B's gaining SKr4 to SKr577. Volvo, which released its first-half results after the close on Wednesday, saw its free B's steady at SKr354.

BRUSSELS saw turnover fall from BFr511m to only BFr393m. The Bel 20 index added 1.16 to 1,121.56.

Electrorail recovered some of last week's losses, rising BFr21 to BFr270. The holding company is negotiating to sell its troubled carpet subsidiary, Tonton Tapis, to the Dutch retailer, Macintosh.

SOUTH AFRICA

JOHANNESBURG lost ground in the afternoon, as gold shares were depressed by easier bullion prices. The all-share index fell 12 to 3,382 as the all-gold index slid 17 to 1,110. The industrial index ended 8 lower at 4,127.

FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Limited, Goldman, Sachs & Co., and County NatWest/Wood Mackenzie in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS	WEDNESDAY AUGUST 28 1991								TUESDAY AUGUST 27 1991					DOLLAR INDEX		
Figures in parentheses show number of lines of stock	US Dollar Index	Day's Change %	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	Local % chg on day	Gross Div Yield	US Dollar Index	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	1991 High	1991 Low	Year ago (approx)
Australia (69)	146.42	+0.2	128.45	126.48	132.46	124.09	+0.1	5.00	146.07	128.87	126.45	132.79	124.02	151.58	112.74	145.79
Austria (20)	174.11	+0.3	152.74	150.40	157.51	157.53	-0.2	1.80	173.62	153.17	150.30	157.83	157.88	222.37	154.82	231.75
Belgium (47)	127.73	+0.4	112.05	110.32	115.54	112.92	-0.1	5.24	127.17	112.19	110.08	115.60	113.06	151.20	118.04	145.13
Canada (114)	140.21	+0.2	123.00	121.10	126.83	115.84	+0.1	3.27	139.95	123.47	121.14	127.21	115.73	142.27	126.49	135.42
Denmark (37)	252.71	-0.2	221.69	218.29	228.60	231.05	-0.6	1.53	253.23	223.41	219.22	230.19	232.56	270.56	217.74	259.47
Finland (16)	95.18	-0.2	83.50	82.22	86.11	85.03	-0.3	2.83	95.35	84.12	82.55	86.68	85.32	125.15	83.53	123.98
France (109)	136.30	+0.8	119.57	117.72	123.29	126.25	+0.2	3.52	135.24	119.31	117.05	122.92	125.95	152.26	119.11	143.66
Germany (65)	108.89	+0.6	95.53	94.07	98.50	98.50	+0.1	2.28	108.26	95.51	93.73	98.41	98.41	125.35	94.15	124.10
Hong Kong (55)	165.04	-0.3	144.78	142.55	149.30	164.45	-0.3	4.29	165.55	146.05	143.31	150.50	165.03	169.98	119.62	123.31
Ireland (18)	154.77	+0.7	135.78	133.69	140.01	142.07	+0.3	3.52	153.71	135.61	133.06	139.73	141.60	182.46	132.88	154.58
Italy (77)	71.12	+0.2	62.39	61.43	64.33	68.94	-0.4	3.39	71.00	62.64	61.46	64.54	69.23	88.23	64.76	92.35
Japan (474)	121.50	-0.2	106.59	104.95	109.93	104.95	-0.5	0.80	121.80	107.46	105.44	110.74	105.44	146.97	118.23	126.80
Malaysia (68)	199.01	-0.8	174.59	171.89	180.02	213.46	-0.7	3.15	200.65	177.02	173.69	182.40	215.03	247.78	189.18	212.69
Mexico (16)	1207.95	+1.8	1059.71	1043.42	1092.74	4026.20	+1.8	1.35	1186.86	1047.09	1027.45	1078.91	3955.90	1207.95	534.45	515.94
Netherland (31)	137.14	+0.4	120.31	118.46	124.06	122.71	-0.1	4.37	136.55	120.47	118.21	124.13	122.78	145.73	125.70	138.18
New Zealand (14)	46.63	+1.2	40.91	40.28	42.18	43.10	+1.0	7.07	46.09	40.66	39.90	41.90	42.66	54.64	41.18	62.98
Norway (31)	203.12	+0.0	178.19	175.46	183.75	187.54	-0.4	1.50	203.07	179.16	175.80	184.61	188.26	223.24	178.58	261.06
Singapore (38)	187.93	+0.6	164.87	162.34	170.01	149.14	+0.6	2.30	186.75	164.76	161.67	169.75	148.28	208.25	151.63	168.04
South Africa (61)	242.88	+2.3	213.07	209.79	219.71	169.89	+0.8	3.20	237.43	209.47	205.54	215.83	168.51	258.85	173.00	178.14
Spain (54)	150.28	+0.1	131.83	129.81	135.94	123.41	-0.4	4.35	150.07	132.39	129.92	136.42	123.86	171.12	131.51	158.50
Sweden (25)	191.79	+1.2	168.25	165.67	173.50	179.44	+0.8	2.47	189.58	167.26	164.12	172.34	178.08	204.12	146.60	202.71
Switzerland (58)	92.83	+0.9	81.44	80.19	83.99	87.34	+0.5	2.21	92.05	81.21	79.69	83.69	86.88	100.67	82.17	97.54
United Kingdom (240)	177.72	+0.7	155.91	153.50	160.75	155.91	+0.2	4.71	176.44	155.66	152.73	160.38	155.66	187.44	156.27	165.94
USA (527)	161.02	+0.8	141.26	139.09	145.67	161.02	+0.8	3.01	159.67	140.87	138.23	145.15	159.67	161.02	125.95	130.73
Europe (828)	139.04	+0.6	121.98	120.11	125.79	124.36	-0.1	3.84	138.19	121.32	119.63	125.63	124.24	151.52	125.50	142.96
Nordic (109)	187.16	+0.4	164.19	161.67	169.31	166.48	+0.0	1.95	186.47	164.51	161.42	169.51	166.54	200.81	155.55	202.47
Pacific Basin (718)	123.35	-0.2	108.21	106.55	111.59	107.02	-0.4	1.18	123.62	109.06	107.02	112.38	107.48	145.92	117.86	127.30
Euro - Pacific (1546)	129.89	+0.1	113.95	112.19	117.49	114.60	-0.2	2.31	129.71	114.44	112.28	117.91	114.84	147.66	121.29	134.02
North America (641)	159.66	+0.8	140.06	137.93	144.46	157.96	+0.8	3.03	158.38	139.72	137.12	144.00	156.70	159.66	125.91	130.92
Europe Ex. UK (588)	116.19	+0.5	101.93	100.38	105.13	106.27	+0.0	3.17	115.57	101.96	100.06	105.08	106.22	129.80	103.58	126.15
Pacific Ex. Japan (244)	141.75	+0.0	124.36	122.46	128.25	126.02	-0.1	4.42	141.74	125.05	122.72	128.86	126.12	147.50	111.40	132.33
World Ex. US (1737)	132.08	+0.2	115.87	114.10	119.49	116.19	-0.2	2.35	131.83	116.30	114.13	119.84	116.37	148.16	122.32	134.72
World Ex. UK (2024)	137.34	+0.4	120.49	118.64	124.26	127.63	+0.2	2.36	136.78	120.68	118.42	124.36	127.33	145.77	120.06	129.00
World Ex. So. Af. (2203)	140.18	+0.4	122.97	121.09	126.82	129.94	+0.2	2.60	139.59	123.15	120.85	126.91	129.66	148.66	122.92	132.00
World Ex. Japan (1790)	152.45	+0.7	133.74	131.69	137.93	144.38	+0.5	3.37	151.33	133.51	131.02	137.59	143.53	152.83	126.69	136.44
The World Index (2264)	140.85	+0.4	123.56	121.67	127.42	130.28	+0.2	2.61	140.23	123.71	121.40	127.48	129.99	149.01	123.28	132.28

Latest prices were unavailable for this edition